FINANCIAL TIMES

World Business Newspaper

MONDAY DECEMBER 11 1995

Start the week with...

Michael Skapinker
How to hang on to your diamonds
Business Travel, Page 12

William Dawkins
Japan: two cheers for the pill
Dateline, Page 7

Martin Hoyle
Rock 'n' roll's hall of fame
Arts, Page 17

Today's surveys
Charities; Scotland's financial services
Pages 13-15 and 29-31

L'Oréal to expand with $660m bid for Maybelline in US

L'Oréal, the French cosmetics company, is to pay $660m for Maybelline, the US cosmetics company part-owned by New York investment house Wasserstein Perella. The bid values the shares at $36.75 each and includes the assumption of $150m in debt. Shares in Maybelline, the second biggest US cosmetics company, after Revlon, closed on Friday at $31¼, having risen 16 per cent in two days on bid speculation. Page 21

King Hussein cracks down on critics

King Hussein of Jordan (left) has moved to tighten security and crack down on opponents of his country's foreign policy. Over the weekend, police arrested the monarch's most vocal critic, Leith Shubailat, on charges of creating civil strife. In a recent speech Mr Shubailat accused the Hashemites of treachery and denounced Jordan's new hardline stance against Iraq. He has also criticised the king's relationship with Yitzhak Rabin, Israel's assassinated prime minister. Page 4

Unrest in Japanese opposition party: Japan's opposition New Frontier party was plunged into internal division after a leadership bid by Tsutomu Hata, a former prime minister and deputy leader of the NFP, faced a challenge from his rival, Ichiro Ozawa, the party's secretary general. Page 5; Editorial Comment and Observer, Page 19

British rock star tops $37m in earnings: Phil Collins was Britain's best-paid rock star last year with disclosed earnings of more than £24m ($37m), followed by Elton John, Eric Clapton, Sting and Annie Lennox. Page 6

Japan under pressure to close N-reactor: The Japanese government came under domestic pressure to abandon the centrepiece of its energy policy after the discovery of a leak in its newest nuclear reactor. Page 5

GrandMet faces vodka challenge: Grand Metropolitan's use of the Smirnoff trademark in the US, where it is the leading vodka brand, is to be challenged in court by descendants of Peter Smirnoff, supplier of vodka to the last tsar. Page 22

Granada in talks over Forte disposals: Granada, the UK leisure and TV group in the middle of a £3.2bn ($5bn) hostile bid for Forte, has had discussions with the Takeover Panel about the hotel group's disposal programme. Page 22

UK tobacco group loses boardroom battle: BAT industries, the UK tobacco and financial services group, lost a boardroom battle over the chairmanship of ITC, India's largest tobacco group in which it holds a stake of almost 32 per cent. Page 21

Zurich to launch insider trading probe: The Zurich Stock Exchange's commission is to launch an internal investigation into possible insider trading before Elektrowatt made its SFr950 ($840) per share bid for Landis & Gyr. Page 22

Salomon Inc adds three to board: Salomon Inc, the parent of the Salomon Brothers investment bank, has added three new members to its board. The appointments will take effect from February 7 next year. Page 22

Dana sights London quote: Dana Petroleum, which produces oil in western Siberia in partnership with some of Russia's largest energy companies, is expected to announce today its intention to list on the London Stock Exchange. Page 22

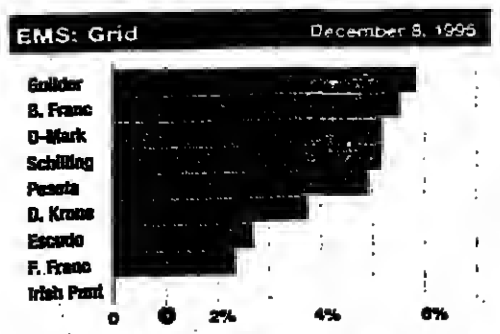
Munich Reinsurance, the world's largest reinsurance company, expects profits this year to be at least as high as in 1994-95. Page 23

Scientists receive Jupiter data: Nasa scientists have received the first data from Galileo, the US space probe to Jupiter. Page 4

Scottish business fears on devolution: The heads of some Scottish companies have stated their opposition to the UK opposition Labour party's plan to create a Scottish parliament if it wins the next general election. Page 6; Editorial Comment, Page 19; Tories hit back, Page 20

European Monetary System: There was no change to the order of currencies in the EMS grid last week, or to the spread between strongest and weakest. The French franc stayed firm, despite a trimming of interest rates and widespread political protests. The focus this week is on the Bundesbank council meeting where there is a good possibility of a cut in interest rates. Currencies, Page 33

EMS: Grid December 8, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Z4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (mainland)	Esc230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60.000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Juppé bows to pressure

French PM agrees to hold talks with unions

By John Ridding and David Buchan in Paris

Mr Alain Juppé, the French prime minister, last night bowed to pressure and agreed to meet union leaders in order to "find a solution" to the strikes and national demonstrations which have had "catastrophic economic consequences".

Speaking on television, Mr Juppé conceded the union leaders' demand for a top-level meeting for the first time during the 17-day transport strike.

He indicated, however, that he still did not intend to back away from the principles of his welfare reforms which were necessary for the long-term health of the social security system.

Mr Juppé hinted he would use a guillotine procedure to stop the reforms from being filibustered by the socialist opposition in parliament.

Mr Juppé said he would first meet the leaders of France's fragmented union movement separately, but that he was not averse to a subsequent "social summit" meeting with them all. Up to now Mr Juppé has pointedly preferred to talk of consultation rather than negotiation with the unions, but last night the embattled prime minister said this was "all semantics" and that "the important thing is to get around a table and find a solution".

Earlier, a series of talks over the weekend, the first between the government and union leaders, had failed to achieve a breakthrough in the strike.

Rail unions, which have been at the forefront of the strikes against controversial welfare reforms and a proposed restructuring at the rail network, pledged to continue their action following talks with Mr Jean Matteoli, the government-appointed mediator. They claimed that concessions, including a week's delay in the signing of the rail restructuring plan, were inadequate to defuse the crisis.

Leaders from Force Ouvrière and the communist CGT, the two unions spearheading the protests, also vowed to step up the pressure on the embattled government after their first talks with Mr Jacques Barrot, the social affairs minister. Mr Marc Blondel, the head of Force Ouvrière, demanded direct negotiations with Mr Juppé and said his union would join forces with the CGT tomorrow for the latest day of national protests in an escalating campaign of demonstrations.

However, in a sign that tomorrow's action may be a prelude to negotiations, Mr Blondel dropped a previous demand that Mr Juppé withdraw his social security reform plan as a condition for talks. Hopes that the next few days could see progress towards an easing of the dispute were also raised by signs that the government is prepared to negotiate on some aspects of its proposed reforms and a broadening of the rail mediator's mandate to include the sensitive issue of pension conditions.

Mr Juppé faces a critical week as he seeks to push through plans to eliminate the country's annual FFr60bn ($12bn) welfare deficit. The strike is damaging an already weak economy, but the premier's credibility is based on implementing his reforms which are also needed to satisfy the public deficit criteria for European monetary union. "If the unions win then Juppé will have to withdraw his plan and resign," said Mr Emmanuel Todd, a prominent sociologist.

Demonstrations continued yesterday in several provincial cities.

Vladimir Zhirinovsky, the ultra-nationalist leader of Russia's Liberal Democrat party, addresses a crowd in Moscow during heavy campaigning for next Sunday's parliamentary elections. Russia's elections, Page 2; Last outpost dissents, Page 20 *Photograph: Reuter*

Germany plans job creation drive

Waigel pledges tax breaks at smaller companies to boost employment

By Peter Norman in Bonn

Germany plans to encourage new business creation and give tax concessions to small and medium sized enterprises as part of a programme to boost employment, Mr Theo Waigel, Germany's finance minister, said yesterday.

"We are doing everying to encourage business start-ups and we want a sensible company tax reform," he said in an interview with the *Financial Times*.

As part of a "symmetrical finance policy" that reduces the government deficit and taxes in parallel, Mr Waigel said he wanted to get rid of Germany's wealth tax and the local trading capital tax, a levy that taxes companies even when they do not make a profit. He also wanted to blunt the impact of local profit taxes on small and medium sized companies by lowering initial tax rates and giving concessions to companies building up financial reserves.

The finance ministry believes that large corporations will not create jobs for Germany's 3.6m unemployed. But there is a pool of budding entrepreneurs who need encouragement. "Many graduates, especially in technical areas, realise they will not get jobs with big companies. They are therefore willing to start new companies," Mr Waigel said.

The employment programme, being prepared by the Bonn economics ministry, the chancellery and the finance ministry, is due to be announced around the end of January. It is also expected to give new impetus to deregulation, privatisation, greater support for new technologies and more encouragement to venture capital.

Mr Waigel acknowledged there is a limit to what the government can do: "The state cannot create additional jobs. That dream is over." Employers and trade unions had a vital role to play in job creation through the collective bargaining process.

"The government does its duty if it consolidates the budget and tries to cut those taxes and levies within its power," he said. He denied rumours that he was seeking to increase value added tax: "I do not have such plans."

Rising unemployment and a stagnating economy in Germany have triggered demands that the Bundesbank, the German central bank, should reduce its key interest rates at its council meeting on Thursday.

In an interview with DeutschlandRadio yesterday, Mr Hans Tietmeyer, Bundesbank president, said the council would "examine very carefully" whether it should take such a step.

In his interview with the FT, Mr Waigel said European economic and monetary union was important for Germany's future prosperity. He warned leading Social Democratic politicians, such as Mr Oskar Lafontaine, the SPD leader, and Mr Gerhard Schröder, the prime minister of Lower Saxony, that they were putting Germany's economy at risk when they questioned economic and monetary union.

"One cannot and should not deal with Emu in a careless manner. It is not a subject for cheap and populist election campaigns," the minister said. "Anyone in Germany playing around with the Emu policy must realise that we could quite quickly have currency turbulence that would certainly not help our exports."

Waigel interview, Page 19

US business supplies boss ousted in takeover bid

By Laurie Morse in Chicago

A takeover battle between two North American business-forms companies has intensified after the bidder pushed its rival's chief executive off the board.

Moore, based in Toronto, ousted Mr Robert Cronin, chief executive of Wallace Computer Services, its Chicago-based target, from the Wallace board on Friday. But Moore failed to gain control of its rival, for which it has bid $1.4bn.

Both companies make a wide range of unglamorous but important business supplies, such as adhesive labels, multi-part forms and bar-coded stickers. Moore, with annual sales of over $2bn, is four times the size of Wallace.

Wallace executives have been pursing a "just say no" defence ever since Moore first bid for it in July. Shareholders now hope to force Wallace executives to negotiate with Moore, through lawsuits filed in a Delaware court.

They are frustrated that Mr Cronin and his colleagues have refused to discuss Moore's $60 per share offer, which represents a 42 per cent premium over

Continued on Page 20

Belgrade presses Karadzic on fate of French airmen

By Laura Silber in Belgrade and Bruce Clark in London

Mr Radovan Karadzic, the Bosnian Serb leader, came under heavy pressure from Belgrade last night to co-operate over the two missing French pilots whose capture has prompted Paris to threaten severe retaliation.

Mr Zoran Lilic, the president of the rump Yugoslav state which comprises Serbia and Montenegro, paid an unusual visit to Mr Karadzic in his stronghold of Pale and insisted the pilots be released if they were still alive.

France warned of "multiple consequences" against those responsible for the pilots' fate unless they were freed yesterday.

Mr Karadzic, who has given contradictory accounts of the pilots' fate, was understood to be pressing Mr Lilic for guarantees that he will not be extradited to the international war crimes tribunal in The Hague.

The pilots were shot down while taking part in a Nato bombing raid on August 30, and France has threatened to retaliate against their captors and those who fail to co-operate in ascertaining their fate.

A 42-nation conference on Bosnian reconstruction ended in London on Saturday with reaffirmation that a peace deal would be signed in Paris on Thursday, although French officials had hinted that lack of progress on the pilots' release could derail the peace process.

Mr Carl Bildt, empowered by the London conference to co-ordinate a vast reconstruction effort in Bosnia, said he would travel to Sarajevo soon in an attempt to reassure the Serb population and to promote the restoration of utilities.

Under last month's peace agreement, tens of thousands of Serb residents of Sarajevo's outer suburbs will come under the authority of the Moslem-led government. The Bosnian government maintains that ordinary Serb soldiers will be free to reintegrate into the civilian community, but it is reserving the right to try people for war crimes.

Mr James Wolfensohn, president of the World Bank, estimated Bosnia's reconstruction requirements – not including rescheduling of its $3.2bn debt – at $4.9bn. He pledged to try to arrange a $600m emergency credit as soon as possible.

However, the date for a donors'

Continued on Page 20

CONTENTS

NEWS: RUSSIA'S ELECTIONS

Communists to profit from painful transition

Voters threaten revenge for injustices of Russia's rapid change to market economy

By Chrystia Freeland

Russia's first communist government came to power through a violent coup in 1917. A new generation of communists is counting on parliamentary elections on Sunday to regain political power.

The communists and loosely aligned nationalists are hoping that Russia's 105m voters will overwhelming choose the "red-browns", as the communist-nationalist bloc is known, from the rainbow of 43 parties contesting the ballot.

Paradoxically, Russian reformers have come to fear that on December 17 they will be victims of their own success. In 1991, the Yeltsin team ended more than 70 years of communist dictatorship with the twin slogans of democracy and capitalism. Today, opinion polls are warning the Yeltsin administration that it risks being toppled by its very achievements.

In spite of the many failings of Russia's nascent market economy, the government has broadly delivered on its promise of market reforms. More than 80 per cent of the industrial workforce is employed in enterprises which are at least partially in private hands and this month inflation is expected to come down to 4 per cent, its lowest levelsince the collapse of the Soviet Union. In its 1995 report, the Organisation for Economic Co-operation and Development predicted that, if Moscow sticks to its reformist course, GDP could grow by 10 per cent next year.

But, at the ballot box, these achievements are expected to lead to defeat. When it launched its bold privatisation programme in 1992, the Russian government chose speed over fairness, arguing that only swift change could overcome the country's deep resistance to private property. But privatisation has been reviled as a grossly unjust transfer of Russia's most valuable assets to favoured insiders. The second wave of privatisation, now in full swing, has strengthened that perception with deals such as last week's sale of 5 per cent of Lukoil, Russia's biggest oil company, for $35m to a consortium which includes Lukoil management. Atlantic Richfield, the US oil company, paid $250m for a 6 per cent stake in Lukoil in September.

By the same token, this year's austere fiscal and monetary programme has won more favour with the International Monetary Fund than with the Russian people. The tough stabilisation measures have reined in inflation and strengthened the rouble, but the drastic cut in government spending on social programmes has led to a decline in average living standards.

It is these painful consequences of the transition from central planning to a market economy which allow Mr Gennady Zyuganov, the leader of the Communist party, to thunder on the campaign trail: "Of all the disasters that have befallen Russia during her long and tragic history, this is the worst." Similarly, the communists' ally, the Congress of Russian Communities, Russia's recently formed nationalist party, is expected to do well with its promises to crack down on government corruption and restore the greatness of the Russian nation.

Earlier in the year, many political and business leaders had assumed that the populist appeal of the communists and nationalists would be beaten by the political muscle of Our Home Is Russia, the pro-government party formed this April.Led by Mr Victor Chernomyrdin, the prime minister, the new party had been expected to dominate because of its control over the government machine. But, outside of Moscow and St Petersburg, Our Home is Russia's political presence has been faint. Regional leaders appear to have quietly decided that backing the current rulers is not in their best interest.

As a result, most analysts expect a communist-nationalist victory at the polls on Sunday. Attention has turned to assessing what this will mean.

One conclusion is that a communist triumph will be proof of the strength of Russian democracy. As Mr Sergei Belayev, campaign manager of Our Home is Russia, explained: "I am glad that the government is unpopular. It means that we've sown the seeds of democracy in our country."

Mr Belayev's comment suggests preparation for defeat, but it also suggests that Russia has gone a long way towards becoming a democracy – even if its expression of free choice is likely to be the election of Communists. The growing strength of Communists and nationalists has also revealed how deep the rifts are within Russia's ruling élite.

The monolithic communist nomenklatura has been replaced by a governing class whose only shared characteristic is a love of power. The deepest rupture is between Mr Anatoly Chubais, deputy prime minister and architect of economic reforms, and tha regional bosses.

Although the provincial chiefs have been happy to endorse Mr Chubais's privatisation programme when it has provided opportunities for personal enrichment, thay are furious with its broader consequences: a decline in local government's control over local industry and dramatically reduced government spending on social programmes. No matter what the immediate results of Sunday's vote, this split within the ruling élite is likely to have long-term consequences because it could hamper the central government's continued ability to enforce painful reforms.

But the biggest, unanswered question about Sunday's vote is whether it could lead to a return to the sort of Communist regime created by the Bolsheviks and feared by generations of western governments. The short answer is no. Even if a communist-nationalist alliance wins a majority in parliament its potential to roll back reforms would be limited.

Under the Russian constitution, the parliament is a weak creature, dominated by the most powerful presidency in Europe. Mr Zyuganov's description of the Russian presidency as a post "more powerful than the Russian tsar, Soviet general secretary and Egyptian pharoah put together" is an exaggeration, but not much of one. The parliament can pass laws and must ratify most of the president's and premier's cabinet appointments. But its legislation can be over-ruled by the president's veto and officials who fail to secure the parliament's approval often occupy cabinet positions for months with the title of "acting" minister. A president confronted with a hostile parliament can rule by decree, as Mr Yeltsin has done for much of the past two years.

When voting with a two-thirds majority, the parliament's powers become more robust: it can veto presidential decrees and override the president's veto of its own laws. The Kremlin's fear is a hard-line communist-nationalist alliance with control of two-thirds of the house.

But a worse nightmare is that a strong showing by the communists and nationalists on Sunday would be a harbinger for a communist or nationalist victory in presidential elections next June.

■ THE COMMUNISTS

Best chance of power for the 'Old Believers'

By John Thornhill

Moscow's world-famous Bolshoi theatre has recently been stunning audiences with a new production of Khovanshchina, Mussorgsky's opera which recounts the 17th century struggles between the Old Believers and the modernising forces of Tsar Peter the Great.

The contemporary parallels are thinly veiled. Those Old Believers of the late 20th century, the Communists, seem intent on fighting an equally fierce rearguard action against the advance of capitalism and reform.

This weekend, Mr Gennady Zyuganov's Communist party repeated its call for the old Soviet Union to be re-formed. Such a move would cause extreme concern in former Soviet republics, especially Ukraine and the Baltic states.

It also favours a more aggressive policy on protecting the interests of the 24m Russians living in former Soviet republics, a more interventionist economic policy, renationalisation of some strategic industries and support for the military-industrial complex.

A wily parliamentary organiser, Mr Zyuganov says he wants to build a nationalist-patriotic parliamentary bloc which, he claims, could embrace the Agrarian party, the Women of Russia, and even the liberal Yabloko grouping.

Some polls suggest that the Communists, with allies such as the Agrarian party, may be able to implement such a programme on their own.

If they fall short of a majority, they could expect to find backing on core planks of their programme from the nationalist parties.

Mr Zyuganov has appeared keen to befriend the nationalist Congress of Russian Communities (KRO), which has co-opted General Alexander Lebed, the charismatic former military commander, as its popular figurehead.

Mr Zyuganov has even hinted he might be prepared to endorse General Lebed as the Communists' preferred presidential candidate in June 1996. So far, KRO has distanced itself from Mr Zyuganov's approaches, but the parties have begun to co-operate at local level in some regions.

KRO, which was founded in 1993 to represent the interests of Russians living outside Russia but has since broadened its mandate, has no deputies in the current parliament. Its support appears to be waning, but it could conceivably replace Mr Vladimir Zhirinovsky's extreme Liberal Democratic Party of Russia (LDPR) as the mainstream nationalist grouping in parliament with a more sympathetic stance towards the Communists.

If Mr Zyuganov can harness such forces to construct a parliamentary majority commanding two-thirds of the votes he will gain formidable powers to shape the legislative agenda.

Mr Zyuganov readily meets western journalists and recently spoke warmly about a mixed economy and the encouragement of foreign investment. By turns contemplative and genial, the stocky party leader is not an identikit ideologue. He sprinkles his talk with references to his overseas trips, his chats with US President Bill Clinton, and the "socialism" of Jesus Christ.

His seeming moderation has lulled foreign investors into a sense of indifference.

But, unsurprisingly, Mr Zyuganov's language is more overtly nationalistic when he talks to his native electorate in the industrial heartlands and rails against the influence of foreigners, the corruption surrounding privatisation, and the incompetence of the "tsar-president".

The party's 500,000 members – more than all other 42 parties combined – contain many revanchists who will allow no backsliding on promises to redistribute the country's wealth.

Mr Yegor Gaidar, the former prime minister who leads the liberal Russia's Choice faction, paints an alarming picture of what would happen if the Communists – with or without nationalist help – did gain a parliamentary majority.

Their victory would spark a currency crisis as Russians dumped roubles, compelling the Communists to reimpose foreign exchange and price controls and renationalise strategic industries.

"It is now or never for the Communists," Mr Gaidar says. "If they do not win these elections they will forever remain the party of protest. The old age of their supporters means their votes will die out."

ELECTING A NEW PARLIAMENT

The country

West: seat of Russia's powerful central government. Moscow has benefited disproportionately from economic reforms. Prosperous Muscovites have also been blanketed with pro-government advertisements absent in many other cities.

South: the nation's bread-basket has suffered from an acute crisis which this autumn brought the poorest harvest for three decades. Rural areas are expected to support the Agrarian Party, country cousin of the communists.

Centre: the industrial heartland has been hard-hit by austere fiscal and monetary policies which have brought many factories to a standstill and led to high levels of hidden unemployment. Communists are expected to do well.

Far east: the country's largest concentration of military personnel and defence plants accounts for more than a third of the local economy. The region is expected to back the nationalist Congress of Russian Communities and the communists.

The runners

Main parties and groupings, ranging from central planners to free marketeers [prominent politicians in square brackets]

Communist camp

- Communist Party of the Russian Federation [Gennady Zyuganov]
- Agrarian Party of Russia [Mikhail Lapshin]

Power to the People bloc [Nikolai Ryzhkov], Tikhonov-Tupolev-Tikhonov bloc, Social Democrats, Coalition for the Defence of Pensioners and Veterans, Communists-Working Russia-For the Soviet Union

Nationalists

- Congress of Russian Communities [Yury Skokov, Alexander Lebed]
- Liberal Democratic Party of Russia [Vladimir Zhirinovsky]
- The Derzhava (Great Power) movement [Alexander Rutskoi]

Russian Nationwide Movement, My Fatherland, For the Motherland, National Republican Party of Russia, Stanislav Govorukhin's bloc

Centrists

- Party of Russian Unity and Accord (PRES) [Sergei Shakhrai]

Workers' Self-Government Party [Svyatoslav Fyodorov], Duma-96, Transformation of the Fatherland, Stable Russia, Russian Trade Unions and Industrialists-Labour Union

Pro-government

- Our Home is Russia [Victor Chernomyrdin]
- Women of Russia movement [Alevtina Fedulova]
- Ivan Rybkin's bloc

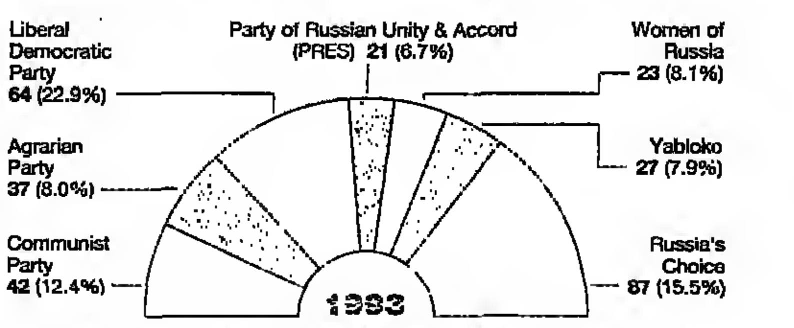
Economic reformists

- Yabloko [Grigory Yavlinsky]
- Russia's Democratic Choice-United Democrats [Yegor Gaidar]
- Forward Russia! [Boris Fydorov]

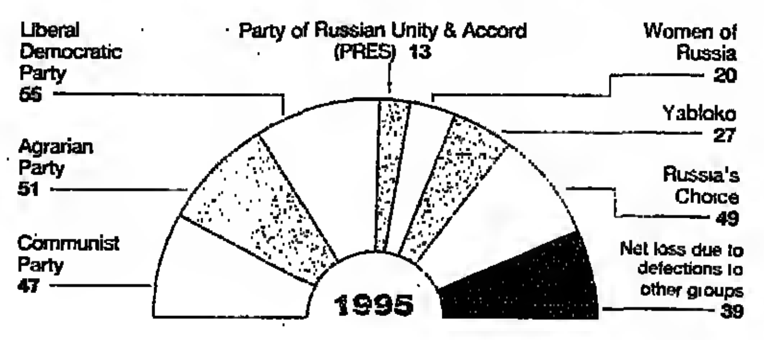
Common Cause movement [Irina Khakamada], Christian Democratic Union-Christians of Russia, Pamfilova-Gurov-Vladimir Lysenko bloc (the Republican Party of Russia), Economic Freedom Party

The parliament

The December 1993 elections: how the seven main groupings scored
301 seats out of the Duma's total of 450 (% of popular vote)



Shifting alliances: where the seven stood in the outgoing parliament, October 1995
262 seats out of the Duma's total of 450



Source: Interfax, The Moscow Times, Centre for Transition Economies "A Pre-Election Guide", Morgan Grenfell, FT

■ PROFILE: GRIGORY YAVLINSKY

One reformer who evades voters' wrath

By Chrystia Freeland

"Democrat" and "free market" have become dirty words for a Russian electorate exhausted by the radical transition to a market economy and angry with the leaders who have imposed it.

But one reformist politician appears untouched by the reactionary mood: Mr Grigory Yavlinsky, whose Yabloko party regularly ranks second or third in nation-wide opinion polls.

Mr Yavlinsky's secret is the personal distance from the government he has maintained since the collapse of the Soviet Union.

All of Russia's other pro-reform parties are tainted by their ties to the painful economic changes the country has undergone: Mr Yegor Gaidar, leader of Russia's Choice, was the prime minister who introduced the price liberalisation which wiped out the nation's savings overnight; Mr Boris Fyodorov, leader of Forward Russia, imposed painful fiscal austerity when minister of finance; and Mr Victor Chernomyrdin, the prime minister and leader of Our Home is Russia, is blamed for the fall in living standards which Russians have experienced this year.

By contrast, Mr Yavlinsky – one of former Soviet president Mikhail Gorbachev's bright young economists in the dying days of the Soviet Union – has been a consistent critic of the Yeltsin administration since it took over the Kremlin nearly four years ago.

Mr Yavlinsky is the only political leader who can credibly both attack the government and advocate continued market reforms.

As Mr Yavlinsky puts it: "The main question of these elections is why did 5 per cent of the people get so much that it is impossible to imagine and 95 per cent get nothing at all. The second question is whether this is the fault of the market economy or is this because of how reforms were carried out."

For the elderly, the military and blue-collar workers, who have suffered most from economic reforms, his moderate message is unlikely to carry as much punch as the avenging rhetoric of the Communists and nationalists. But for the young, for professionals and for Russia's burgeoning middle class, Mr Yavlinsky offers a more palatable alternative to the widely despised current regime.

■ VOTING METHOD

Small swings could have big impact

By John Thornhill

Scarcely a day seems to have passed in Russia this year without a politician challenging some aspect of the electoral law. Some party leaders argue that it favours extremists; others that it fails to reflect the true diversity of the electorate's views.

Nevertheless, for the first time Russia is going into free parliamentary elections with essentially the same law that governed the previous poll.

Half the seats in the 450-seat parliament will be decided by first-the-past voting in which the candidate with the highest number of votes wins irrespective of the scale of the turnout.

Each of these single-member constituencies contain about 500,000 voters although they vary enormously in area – from compact city seats to the Yakutia constituency in Siberia which, with 3.1m sq km, is almost six times the size of France.

The rest of the seats will be divided among the 43 registered parties by means of proportional representation. A party must win at least 5 per cent of all votes cast before it wins any seats, with members taken from national party lists. Only about half a dozen parties are likely to pass the threshold.

Opinion polls suggest that several parties, including Russia's Choice, the Congress of Russian Communities, the Liberal Democratic Party of Russia, and the Agrarian party, are around the 5 per cent mark, so comparatively small electoral swings could have a big impact on the shape of the legislature. If, for example, the liberal Russia's Choice grouping slipped marginally below the threshold while the other three parties just scraped over it would give parliament a decidedly more nationalist edge.

For this reason, there have been calls for the abolition of the 5 per cent rule although it is unlikely to be changed at this late stage. Supporters of the threshold argue it will exclude many extremist candidates inimical to the whole concept of democracy.

The two different methods of electing deputies means that the total number of votes cast does not automatically translate into representation in parliament.

For example, in 1993, the Russia's Choice faction won 15.5 per cent of the votes but received 19.3 per cent of the seats in parliament because of its strength in single member constituencies. The Liberal Democratic Party of Russia won 22.9 per cent of the vote but ended up with 14.2 per cent of the seats.

If the opinion polls are right, the parliament will be highly fragmented and parties will have to form tactical voting alliances if they are to exercise real influence.

There is a government-appointed Central Electoral Commission charged with overseeing the election and regulating television advertising time.

But its authority has already been called into question after the Supreme Court overturned its controversial decision to ban the Yabloko and Derzhava factions for minor infringements of the electoral law.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174 7363. Responsible Editor: Richard Lambert c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621, Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

■ CAMPAIGN ISSUES

Chechnya fiasco gives opposition a field day

By Chrystia Freeland

Chechen separatists are expected to step up violent protests over the next six days, fuelling a conflict that has been a political bonanza for anti-government parties.

When President Boris Yeltsin sent his armies into the tiny North Caucasus region nearly a year ago his move was seen as an attempt to win political popularity with a quick victory over a traditional enemy. If that was Mr Yeltsin's intention, it has sorely backfired.

The Chechen war has already claimed at least 40,000 lives. For the president's opponents the conflict is a ready-made campaign issue – a botched battle which is becoming Russia's Vietnam. Pacifists and warmongers alike have seized on the protracted, costly and poorly planned operation as evidence of the Kremlin's wider inability to rule.

Mr Grigory Yavlinsky, the leading liberal opponent of the regime, attacks the invasion as an example of the mistaken priorities of an administration which squanders money on guns at a time when teachers and doctors have been unpaid for months.

Mr Alexander Lebed, the former general and star candidate of the nationalist Congress of Russian Communities, argues that "success should be achieved through political, diplomatic and economic means".

Even Mr Gennady Zyuganov, whose Communist party promises a restoration of the Soviet Union, says: "The North Caucasus is all aflame. Who needs them in this state? What do they give us apart from a headache?"

Moscow's control over the region seemed shakier than ever this weekend, when Mr Ruslan Khasbulatov, the former speaker of the Russian parliament, withdrew from the race to become leader of Chechnya.

"Moscow is trying to legalise the poppet regime which is resisted by the majority of the population," Mr Khashulatov said. His withdrawal leaves Mr Doku Zavgayev, the Kremlin-appointed ruler of the republic, as the only serious candidate. It ensures that the vote will be boycotted in large numbers and adds to the likelihood of further protests.

Mr Victor Chernomyrdin, the Russian prime minister, tried last week to consolidate his reputation as peacemaker by signing a deal with the Moscow-appointed Chechen leaders granting the region extensive political autonomy within Russia. But the people of Chechnya responded by stepping up the anti-Russian and anti-election demonstrations which have become a daily event in the rebellious region.

The political reality, which for the past three years Moscow has ignored, is that the overwhelming majority of Chechens do not want to be ruled by Russia. Their desire for independence goes back to their fierce resistance to Russian imperialist armies in the 19th century. The Chechens' resolve was stiffened in 1944, when Stalin deported the entire population to Central Asia, where many remained for decades before filtering back to their homeland. The war of the past year, which most Chechens have experienced as a senseless demonstration of Russian brutality, has taught a new generation to hate Moscow.

This summer, when it became clear that the fighting had become a political liability, the Kremlin tried to paper over the problem with a ceasefire agreement. The plan to hold Russian national elections in Chechnya is the most recent example of Moscow's attempt to show that it is business as usual in the North Caucasus.

The only catch is that the Chechens are having none of it. Chechen separatists, who enjoy the overwhelming backing of the indigenous population, have vowed to step up their opposition. They oppose elections because they say Chechen separatist candidates have not been allowed to compete for posts in local government and they argue that electing Chechen deputies to the Russian parliament is wrong because Chechnya, in their opinion, is not part of Russia.

The official electoral fiction that Chechnya has become a normal part of the Russian Federation is regularly refuted by violent incidents. Last week, a car bomb in the capital Grozny killed 11 people and injured at least 60. During the past two months there have been three serious attacks on pro-Russian officials. General Anatoly Romanov, target of one of the attempts and former commander of Russian military forces in Chechnya, lies in a coma in a Moscow hospital.

Maritime talks 'may founder over US'

By Frances Williams in Geneva

Trade officials warned at the weekend that international negotiations to liberalise maritime transport were in danger of running aground over Washington's reluctance to open its own shipping sector.

The talks, under World Trade Organisation auspices, are due to conclude next June but so far have made scant progress.

The latest round of negotiations, which ended on Friday, was again dominated by a row between Washington and trading partners over a new US law lifting a ban on exports of Alaskan oil but reserving shipments for US-flag carr iers.

The European Union, backed by Japan and Norway, says the law breaks "the spirit and the letter" of a standstill pledge taken by all WTO members to refrain from moves which improve their bargaining position during negotiations.

The US argues that the new law makes no difference because, while the export ban was in force, shipments were already confined to US vessels under tha 1920 Jones Act limiting coastal traffic to US-owned, registered, built and crewed ships.

Other nations maintain that the move entails an extra restriction on international shipping.

"It has given a seriously negative signal to the talks," says one EU official.

Anger over the US position has been compounded by its failure to make s formal market-opening offer on maritime services, part of the unfinished business left over from the Uruguay Round of global trade talks.

This has led to accusations from Brussels that the US is not negotiating in good faith.

Washington says others have not been sufficiently forthcoming for it to come forward with an offer of its own. But trading partners fear that the US administration, under pressure from the powerful shipping lobby, has no intention of relaxing strict reciprocity provisions and other restrictions governing its deep-sea shipping sector.

Although only six of the 42 participants in the maritime talks have so far made offers, they include some of the world's leading shipping nations – the EU (whose 15 members include Greece and Denmark), Japan, Norway, Canada, Australia and New Zealand. Chile, Colombia and Nigeria have said they will make offers soon.

Mr Don Kenyon of Australia, chairman of the negotiating group, has appealed for all participants to come up with offers and requests before talks resume in February. Unless there is a significant improvement in the negotiating climate he intends to call a meeting of top trade officials in March or April to try to break the logjam.

Trade diplomats warn that the row within the maritime talks could spill over into separate negotiations on basic telecommunications, due to end in April, where the US is the main driving force for greater liberalisation.

Greek leadership race set to become marathon

Two former economy ministers have pulled well ahead of the pack, reports **Kerin Hope**

A week ago, the race to succeed Mr Andreas Papandreou as Greece's prime minister, looked like being a short sprint. Bnt if the premier's health continues to show signs of improvament, it could become a gruelling marathon.

Two former economy ministers, Mr Costis Simitis and Mr Gerasimos Arsenis, bave already pulled ahead, according to opinion polls. They are trailed by Mr Akis Tsochatzopoulos, the acting prime minister.

The medical consensus at the Onasseion Cardiac Hospital, where the 76-year-old Mr Papandreou has been attached to life-support machines since catching pneumonia three weeks ago, is that be must give up politics.

But the prospect of a rapid transfer of power to a younger leader is clouded by Mr Papandreou's failure to indicate that be intends to resign, despite having returned to consciousness five days ago and, according to a government spokesman, being able to scribble notes to his wife Dimitra.

This bizarre turn of events has left the governing Panhellenic Socialist Movement in disarray. Senior party officials, whose jobs would be at risk once a new leader emerges, face ridicule for suggesting that Mr Papandreou can still run the country.

Mr Simitis, 59, who launched a campaign to force Mr Papandreou into retirement months ago, is demanding an immediate end to the uncertainty. "Greece needs to take viable, decisive positions on a number of issues," be says. "This situation can't be allowed to continue."

Happier times: Andreas Papandreou's wife Dimitra gives him a good lnck kiss during the 1990 elections

Associated Press

His views are shared by many of Pasok's 170 deputies, who will be responsible for choosing a new prime minister, as well as by grassroots party officials who are looking ahead to the next election, less than two years away.

Mr Arsenis, 64, who will need backing from the Papandreou loyalists in his bid for the leadership, has not yet broken ranks. But he is lobbying for support just as energetically as Mr Simitis.

Both have been quietly preparing for this moment since Pasok returned to power in 1993, building ties with local Pasok organisations, influential members of the party'a central committee and the parliamentary group.

In the 1980s, their careers ran parallel, with Mr Simitis, a former academic, playing the role of moderate, while Mr Arsenis, a former official at Unctad, the UN organisation for boosting trade with developing countries, put his interventionist ideas into practice with Mr Papandreou's approval but with disastrous results for the economy.

Given Pasok's efforts to cultivate a new image as responsible social democrats committed to the European Union, Mr Simitis should now have the edge. As agriculture minister in Greece's first socialist administration in the early 1980s, he rebuilt bridges with Brussels after Mr Papandreou threatened to hold a referendum on pulling Greece out of the EU.

By contrast, Mr Arsenis, who was simultaneously economy minister and governor of the centrsl bank, horrified Greece's European partners by nationalising some of the country's largest industrial concerns in contravention of EU law. This scared off foreign investors, provoking a flight of capital and causing a decline in industrial output that lasted most of the decade.

Mr Arsenis also ignored the explosive growth in public sector deficits resulting from the Socialists' decision to introdnce index-linked wage and pension increases.

It was left to Mr Simitis to pick up the pieces when he took over as economy minister after a quarrel between Mr Papandreou and Mr Arsenis, who was thrown out of Pasok and formed a shortlived political party of his own.

Mr Simitis launched a stabilisation programme agreed with the EU in 1986 in return for a balance-of-payments loan. To enable the ballooning deficit to be funded through public as well as bank borrowing, he started the gradual liberalisation of Greece's capital markets and encouraged the stock market to modernise.

He resigned in December 1987 during a budget debate where Mr Papandreou without warning announced extra public sector wage increases, which as Mr Simitis predicted, meant the stabilisation targets could not be achieved.

Now the two men's roles are reversed. Mr Arsenis is defence minister, following a reconciliation with Mr Papandreou while Pasok was in opposition, but Mr Simitis is a rebellious backbencher after resigning two months ago as industry minister over the failed privatisation of Greece's largest shipyard.

Pasok's moderate pro-European wing, together with Greece's business community, is keen for Mr Simitis to take the helm. He would have the assistance of two other prominent pro-Europeans, Mr Theodoros Pangalos as a probable foreign minister, and Ms Vasso Papandreou, the former European social affairs commissioner.

She could handla much-needed reforms of competition, company and labour law, or perhaps supervise disbursement of EU structural funds. Thesa should account for almost 5 per cant of GDP yearly over the next four years, but are delayed by inefficiency in Athens.

If Mr Arsenis wins the race, perhaps by offering Mr Tsochatzopoulos the post of Pasok chairman in return for his backers' votes, a large question mark will hang over the future of Greece's convergence programme for participating in EU monetary union.

Mr Arsenis says he is as committed to convergence as anyone in Pasok and now backs the private sector's role. But he will come under pressure to relax economic policy from his hardline supporters, who care more about winning the next election than meeting Maastricht targets for a single currency.

Both Mr Arsenis and Mr Simitis are colourless politicians by comparison with the mercurial Mr Papandreou. But they have already outlasted more charismatic contenders for the prime minister's post.

EUROPEAN NEWS DIGEST

Romania delays debt rating

Romania has delayed seeking a sovereign debt rating until the spring because of balance of payments problems. The country is heading for a current account deficit of \$1.5bn (£940m), up from about \$400m last year. This follows a 40 per cent rise in imports amid signs that the economy is overheating.

Central bank officials denied there had ever been a formal timetable although, earlier in the year, the bank said it expected ratings would be announced in November. In late summer, Romania invited several international agencies including Standard & Poor's and Moody's to give it a rating ahead of its first Eurobond issue, originally planned for late this year or early 1996.

Since then, the national currency, the leu, has depreciated by about 30 per cent against the US dollar, partly because of the increasing trade and current account deficits.

Pressure on the leu has also increased due to delays in reaching agreement with the International Monetary Fund and World Bank, upon which the country is dependent for external funding. *Virginia Marsh, Romania*

Polish election valid, says court

Poland's High Court ruled at the weekend that Mr Aleksandr Kwasniewski, the country's president-elect, lied in official documents about completing his higher education. But it declared the result of the election to be valid.

The decision came after over half a million supporters of President Lech Walesa, who narrowly lost last month'a election, protested that Mr Kwasniewski's assertion about completing his studies at Gdansk University in 1978 had won him votes.

The 17-member court agreed voters had been swayed, but ruled, with five judges dissenting, that the effect was unquantifiable and not grounds for invalidating the poll. Mr Walesa's spokesman said the president would accept the court's decision. *Christopher Bobinski, Warsaw*

Row over Athens advert ban

European manufacturers are turning on pressure to end a Greek rule that advertisements for toys cannot appear on television before 10pm. Toy Manufacturers of Europe said in a statement it was pressing European Commission officials to agree to open legal proceedings against Greece today.

The Commission has been divided over the ban, which the manufacturers allege was adopted by Athens after Greek toymakers lobbied for protection from competition from other European companies. *Reuter, Brussels*

Crew jailed over stowaways

A French court yesterday sentenced the Ukrainian captain of a cargo ship and his second-in-command to life imprisonment for killing eight African stowaways at sea off Portugal in 1992.

The court sentenced three other Ukrainian crew from the vessel, the MC Ruby, to 20 years each in prison for beating the eight with an iron bar, shooting them and dumping their bodies in the Atlantic Ocean.

The sentences ended a month-long trial over the deaths of seven Ghanaians and one Cameroonian. The killings were only discovered because one Ghanaian stowaway, Kingsley Ofusu, managed to escape the massacre and hide in the hold of the vessel until the MC Ruby docked in a French port, where he contacted police. The jury acquitted a sixth defendant, Dzhamal Arakhamiya, from the separatist Georgian region of Abkhazia. *Reuter, Rouen*

Move likely to leave KIA vulnerable to political vagaries, say analysts

Kuwaiti investment chief to quit

By Robin Allen

Mr Ali Rashaid al-Bader, managing director of the Kuwait Investment Authority (KIA), the country's lender of last resort and guardian of its overseas assets, is to step down in three months, according to a statement issued yesterday.

Analysts said Mr Bader's resignatioo, "for private reasons related to his family's busioess", would leave the country's most sensitive financial institutioo more vulnerable than ever to the vagaries of Kuwaiti politics in the run-up to next October's national elections. There were no real clues as to who would succeed him, they added.

The resignation statement was issued by Mr Nasser al-Rodhan, finance minister.

Mr Bader has beeo head of the KIA since March 1993. Bankers said he had indicated at the time of his appointment that he would oot stay more than four years.

But ooe analyst said the way the news of his resignatioo first became public yesterday – "a casual remark to a passing journalist from a local Arabic paper" – reflected the degree to which he had become tired of the constant political pressure and the strained relations that had developed with government ministers.

Many ministers are unwilling to accept the continuing litigation in London and Spain against former senior officials of the Kuwait Investment Office (KIO).

Last May the UK Court of Appeal ruled that the KIO could use the Eoglish courts to pursue its $500m (£316m) claim against former KIO directors and former directors of its Spanish subsidiary, Gruppo Torras.

According to Mr Jassem al-Saadoun, head of Alshall Economic Consultants, an independent unpaid consultant to Kowait's national assembly, Mr Bader's tenure had beeo marked by "complete integrity in helping the political leadership work on these court cases. But the cost, in terms of political pressure, is enormous."

Apart from overseeing the privatisation of many companies in which the KIA had a stake, the job of managing the authority involved appointing the boards and overseeing management of the 62 companies in which the government still has a stake; 37 of which are quoted on the stock exchange.

But Mr Bader's main task, as he recently described it, had been to conceive and oversee the implementation of a strategy to restore the country's financial self-respect after the chaos following the 1982 collapse of the unofficial stock market, the damage resulting from KIO mismanagement, and $5bo of losses incurred in Spain.

Hussein moves against opponent

By James Whittington in Cairo

King Hussein of Jordan has moved to tighten security and crack down on opponents of his kingdom's foreign policy.

Over the weekend, police arrested the monarch's most vocal critic, Mr Leith Shubailat, on charges of creating civil strife. in a recent speech Mr Shubailat accused the Hashemites of treachery and denounced Jordan's new hard-line stance against Iraq. He also criticised King Hussein's relationship with Mr Yitzhak Rabin, Israel's assassinated prime minister.

In criticising the king's new policy of promoting a change of government in Iraq, Mr Shubailat, a maverick Islamist who heada Jordan's engineers' union, voiced a widespread view in Jordan that the kingdom is too closely aligned to Israeli and US policies.

King Hussein made a clean hreak from his earlier conciliatory stance toward Baghdad in August when he gave asylum to two top Iraqi officials and members of President Saddam *Hussein's family*. Since then he has indicated that Jordan would be willing to host a meeting of Iraqi opposition groups to discuss ways of replacing the regime.

Last week Jordan demonstrated its oew stance by announcing the interception at Amman's international airport of an illegal shipment of Russian-made parts for a missile guidance system destined for Iraq.

The find was in clear breach of UN sanctions and tha Russian foreign ministry has denied any knowledge of the shipment. Before the Gulf war, Jordan was an important conduit for weapons destined for Iraq.

In a separate incident, Jordan has expelled the second most senior diplomat in the Iranian embassy in Amman for "security considerations". A government official said Mr Saed Batani had been caught planning an attack on Israeli tourists in the city of Petra.

Iran expelled a Jordanian diplomat in retaliation.

● Amman yesterday said it was willing to host a meeting to chart Iraq's future course but rejected suggestions it was meddling in Iraqi internal affairs, Reuter adds from Dubai. Mr Abdul-Karim al-Kabariti, Jordanian foreign minister, said during a visit to Qatar that such a meeting could include Iraqi opposition figures hut that details had yet to be agreed.

The idea of the meeting gained ground at meetings in London last month between King Hussein and Iraqi opposition figures. Diplomats said the king indicated in private he would like to host a conference to get the divided opposition together.

INTERNATIONAL NEWS DIGEST

Peres seeks to spur peace talks

Mr Shimon Peres, the Israeli prime minister, meets US president Bill Clinton in Washington today to discuss efforts to restart peace talks between Israel and Syria.

Mr Peres, in his first visit to the US since taking over the premiership last month after the assassination of Mr Yitzhak Rabin, said he would bring "new initiatives" to the White House in an attempt to accelerate the peace talks, which have been deadlocked for four years. He is also scheduled tn meet Mr Warren Christopher, secretary of state, and Mr William Perry, defence secretary.

Proposals are expected to deal with the nature of oegotiations as well as the extent of Israeli withdrawal from the occupied Golan Heights and subsequent security arrangements. Mr Peres has called for negotiations to be elevated to executive level, which would include a summit between him and Mr Hafez Assad, the Syrian president, in the presence of Mr Clinton. Mr Assad has previously refused such a meeting until Israel accepts Syrian demands, which include a full withdrawal from the Golan Heights, occupied by Israel in 1967.

Mr Peres has also stated publicly Israel's need to "pay the price for peace", but has not elaborated on what this may be. He said he was prepared to outline the steps Israel would need to take, perhaps before the Knesset, but not until Syria also stated concessions it was willing to make.

● Israel yesterday continued its scheduled redeployment from West Bank towns by leaving Tulkarm, the second town to be evacuated since the signing of the second stage of the Israeli-Palestinian peace agreement in September.

Mark Dennis, Jerusalem

Canada to privatise air control

Canada will privatise its civilian air-traffic control network as part of a drive to reduce taxpayers' exposure to loss-making transport facilities. The network, comprising 55 control towers, seveo area control centres and 105 flight service stations, will be sold for C$1.5bn (£717m) to Nav Canada, a new non-profit company controlled by domestic airlines, general aviation operators, pilots and air-traffic employees.

The sale was smoothed by Ottawa's agreement to provide severance packages worth C$116m to the 6,400 employees who will be transferred from the civil service to Nav Canada.

The government supports the air-traffic control system with abont C$200m a year in subsidies. Mr Doug Young, transport minister, said "what we are going to be doing is asking the carriers and the passengers to pay the cost of the air navigatioo system". For instance, charges will be levied for the first time on foreign aircraft that overfly Canada without landing. Mr Young has indicated that the St Lawrence Seaway, which administers shipping traffic along the St Lawrence River and through the Great Lakes, may also end up in private hands.

Bernard Simon, Toronto

Beijing warms to Nigeria

China has signed a $520m (£329m) contract to overhaul Nigeria's railways and deliver oew locomotives, disregarding calls to isolate the African country on human rights grounds. Beijing also said the new Export-Import Bank of China had agreed to provide $12m in prefereotial state loans to Sudan's Islamic military government to develop oilfields, the first foreign project funded by the fledgling policy bank.

Nigeria's military government and its execution of nine human rights activists last month have prompted the US, EU and some African states to impose an arms embargo and withdraw their ambassadors. The Commonwealth has suspended Nigeria from its membership.

Reuter, Beijing

MP shortfall in Kazakhstan

Voters in Kazakhstan failed to elect enough members of parliament to make a quorum in the central Asian nation's new 67-seat lower house of parliament, forcing an unscheduled run-off. Despite a high turnout of 78 per cent, only 43 candidates, three short of the two-thirds quorum needed to seat the legislature, obtained the absolute majority required by Kazakh election law. The political affiliations of the victors were not clear as candidates are prohibited from declaring their parties on the ballot.

Western observers noted violations such as multiple voting which possibly inflated the turnout in Saturday's elections.

President Nursultan Nazarbayev disbanded the sitting parliament in March, citing improprieties in the 1994 elections. Since then he has won two referendums extending his term to the year 2000 and passing a constitution which creates a strong presidency. The new two-chamber parliament can neither initiate legislation nor impeach the president. An upper house, the Senate, was successfully formed after elections on December 5.

Matthew Kaminski, Moscow

Qatar reviews membership of Gulf group

By Robin Allen

Qatar is reviewing its membership of the Gulf Co-operatioo Council (GCC) but has made oo decisioo "as yet" whether to withdraw, according to Sheikh Hamad Bin Jassem al-Thani, foreign minister.

Last week the Qatari delegation boycotted the final session of the GCC heads-of-state summit in Muscat, the Omani capital.

The immediate reason given for the walk-out was the rejection of Qatar's nominee for GCC secretary-geoeral in favour of the Saodi candidate, Mr Jameel al-Hujilan, a Saudi national.

Sheikh Hamad said that, in Qatar's view, the appointment was a "substantive" not a "procedural" matter, and it required the unanimity of the heads of state. However, he hoped the GCC legal committee could find a solution. "We will abide by the committee's decision," he added.

Sheikh Hamad said the present "deadlock" was the culminatioo of six months of unsuccessful efforts to get Qatar's neighbours to recognise its right to have one of its natiooals fill a senior post in the GCC's secretariat. According to foreign ministry officials in Doha, 90 per cent of the GCC's secretarial staff in Riyadh is made up of Saudis and not ooe of the 10 most senior posts has ever been allocated to a Qatari.

Sheikh Hamad, a cousin of Qatar's head of state and prime mioister Sheikh Hamad Bin Khalifah al-Thani, said he would join other GCC foreign ministers of the Damascus Declaratioo, which groups the GCC with Syria and Egypt, who are due to meet in Damascus on December 27-28. Qatar is due to host the next GCC summit in Doha in December 1996.

Collectively the GCC owns more than 40 per ceot of proven global oil reserves as well as 15 per cent of the world's known reserves of natural gas. Qatar alone possesses a third of GCC gas reserves.

INTERNATIONAL PRESS REVIEW

Salinas saga plays to an enthralled nation

MEXICO

By Leslie Crawford

Good times: Raúl Salinas on a yacht with companion, in a photograph run in Thursday's edition of La Reforma. It was taken before his arrest on charges of plotting murder

Something is rotteo in Mexico.

The saga of the Salinas clan, oow featuring in every Mexican oewspaper, radio and television station, surpasses anything Hamlet could have dreamed of. It involves stupendous wealth, political intrigue and corruption and, like the best melodramas, no one knows how it will end.

With Carlos Salioas, Mexico's former president, in self-imposed exile, his elder brother Raúl in jail on charges of plotting to murder a leader of the ruling party, and Raúl's wife Paulina detained in Switzerland under a money-laundering investigation, the plot took a dramatic twist last week when Mrs Carla del Ponte, the Swiss attorney-general, arrived in Mexico.

Mrs del Ponte said she had come to question Raúl about the origin of some $100m (£63m) he holds in Swiss bank accounts. She said there were grounds to suspect his fortune was related to drug trafficking.

Her carefully-worded statement fell like a bombshell. It was the first time a senior law-enforcement officer, and a foreign one at that, had linked a member of the Salinas family to drugs. Tha Mexican press, with few libel laws to restrain its vivid imagination, ran riot.

"Corruption, violence and money laundering – the hallmarks of the Salinas administration," ran the front-page headline in *El Financiero*. The article claimed, among other things, that several drug barons held sway over Los Pinos, the presidential palace, while Carlos Salinas was in power, and that many state-owned companies privatised by the Salinas administratioo had gone to Mexican and Colombian drug traffickers.

But was drug-money oeeded to explain Raúl's rapid enrichment while his brother was president? Not according to *El Sol de México*, a pro-government daily, which believes venal corruption sufficed.

"Raúl Salinas did not need drug traffickers to make him rich," wrote a columnist under the name of Icarus. "He was showered with tempting business offers. There are those who allege Raúl raked in $2m a day from these deals during the 2,190 days of his brother's rule, which adds up to more than $4bn."

After being qnestioned by the Swiss officials, Raúl Salinas said throngh his lawyer that he had earned his money through "business deals with Mexican entrepreneurs". He said he had sent his wife to Switzerland to hring back his savings so that they could be invested in Mexico to create jobs.

The claim, in a country suffering the worst recession in living memory, was greeted with howls of disbelief.

"Is there really so much kindness in Raúl Salinas's soul?" asked *Excelsior*, one of Mexico City's biggest dailies. "Could it be that, in the face of all the accusations weighing against him, Raúl could still show such touching concern for Mexico's economic plight?"

Mexican prosecutors announced they were preparing new charges of forgery and illicit enrichment against Raúl, after uncovering more secret hank accounts around the globe. His brother Carlos, of no known address, sent a long, self-pitying letter to the press in which he said he knew nothing of Raúl's business activities. His brother, he claimed, had deceived him.

The former president's protestations were not believed.

The Mexican press knows it is an accomplice in making Raúl a scapegoat for the disastrous devaluation of the peso last year. But what began as the public lynching of ona man is turning into a judgment of the entire Salinas administration.

Scientists receive Jupiter probe data

Nasa scientists yesterday received the first data from the space probe Galileo, which may give Earth its first close look at the planet Jupiter, Reuter reports from Los Angeles.

The radio message from Galileo is expected to give scientists their first measuremeots of the huge planet's atmosphere, composition, climate and weather patterns.

While scientists were cheered by the successful reception of data, they will not know the quality of the information until the Galileo team analyses it.

Galileo's secondary probe gathered its data on Thursday as it hurtled through clouds of water, helium, oxygen and nitrogen and endured Jupiter's hurricane-like winds and violent lightning storms.

The secondary probe's communication with Galileo cut off after 75 minutes, after which scieotists say it was almost certainly crushed and vaporised by the extreme pressure and high temperatures found in Jupiter's upper atmosphere.

During the next two years Galileo will make 11 orbits of the planet.

Digital satellite TV hit by S Africa blaze

By Mark Ashurst in Johannesburg

The launch of digital satellite television in South Africa has suffered a setback after a fire at Panasonic South Africa's Cape Town plant brought production of receiving equipment to a standstill.

The locally owned plant is one of only two in the world manufacturing the "set-top" receivers which must he installed in viewers' homes to decode digital satellite signals for viewing on standard television sets. The receivers have been in short supply in South Africa where Multichoice, the Sonth African pay-TV company, has pioneered the introduction of digital satellite television.

If the scarcity continues, it could frustrate the growth of digital hroadcasting in Europe. Nethold, the international satellite broadcaster nwned by Multichoice and Richemont, the Swiss-based tobacco and luxury goods conglomerate, *plans to introduce digital satellite television in Europe ahead* of rivals BSkyB, the British satellite broadcaster, and Canal Plus, the Freoch pay-TV company.

Mr Hans Hawinkels, chief executive of Multichoice, said "the squeeze" caused by the shortage of receivers would be felt most keenly in South Africa. About 25,000 South Africans had placed orders for the equipment.

Digital technology drastically reduces the fixed costs of broadcasting: between six and 10 television channels can be broadcast using the frequency space of a single analogue channel.

Nethold recently placed orders for 1.1m digital receivers, worth about $550m (£348m), with three manufacturers: Pace of the UK; National Panasonic of Japan; and Philips, the Dutch electronics group. Of these, only Pace is manufacturiog the receivers. Philips and Sagem Echostar, the Paris-based electronics company subsequently licensed by Multichoice to build the receivers, have yet to begin production.

RC & C Manufacturing, the South African company licensed by Panasonic to assemble the receivers, announced in August it had secured a $500m export order from Multichoice to supply overseas markets.

Mr Alan Coward, chief executive of National Panasonic holding company NPC (Electronics), said the fire, in which no one was hurt, had "potential to jeopardise the operation". Production was unlikely to resume at the Cape Town factory before February.

NEWS: ASIA-PACIFIC

Rao urged to sack telecoms minister

By Shiraz Sidhva in New Delhi

India's Prime Minister, Mr P.V. Narasimha Rao, is under pressure from his party to remove Mr Sukh Ram, communications minister, from the cabinet, because of controversy surrounding the country's privatisation of its telecommunications sector.

The issue is set to dominate parliament today as opposition members, alleging corruption and mishandling, threaten to embarrass Mr Rao's ruling Congress party only months before a general election.

The opposition disrupted parliament for three days last week when it accused Mr Ram of mishandling a tender to award licences to local and foreign companies to run telephone services and demanded his resignation.

Mr Ram has been trying to convince Mr Rao that the telecoms process has been transparent and that the controversy is premature because no licence has yet been rewarded. Mr Ram denies allegations that he favoured a consortium led by Himachal Futuristic Communications, a small and comparatively unknown company from his home state of Himachal Pradesh, which emerged as the highest bidder in nine of the 20 zones under tender.

The opposition has also said that the government's decision to announce a reserve price and introduce a cap on the number of regions a single company can operate basic and cellular services was designed to benefit Himachal Futuristic.

The government then allowed the company to choose three circles in which to operate basic telephony but called for rebidding in 10 other circles or zones. The decision to call for rebidding caused consternation among foreign investors who have had to refer to their boards abroad before submitting fresh bids by January 1.

Many of the 16 companies affected say they cannot openly criticise the ministry's move nor take legal recourse for fear of jeopardising cellular licences that are expected to be granted to them later this week, and derailing the bidding for basic services.

"The government has to make up its mind whether it wants experts in basic telephony to operate its networks, or whether it wants companies with no track records to take over," said one international telephone company representative.

Insiders say Mr Rao is perturbed by allegations of corruption against the communications minister, but is seeking a way out of dropping him. "The prime minister would be admitting to corruption within the party and giving us a ready-made election issue if he agrees to drop Mr Ram, but he cannot retain him in the circumstances either," said a senior MP from the Bharatiya Janata party, India's largest opposition party.

Telecom companies agree that bidding for cellular licences has been transparent. Successful bidders for cellular service contracts were notified last month. Analysts say a tight market has made it difficult for most companies to raise the initial payment and the guarantees, the total amount of which is estimated to exceed Rs55bn (£1bn).

Calls to close leaking Japanese N-reactor

By William Dawkins in Tokyo

The Japanese government yesterday came under domestic pressure to abandon the centrepiece of its energy policy after the discovery of a leak in its newest nuclear reactor.

Environmental groups and local politicians called on the government to close its experimental fast breeder reactor, Monju, the second largest of its type in the world, after tha leakage of two to three tons of non-radioactive liquid sodium coolant, filling part of the reactor with thick toxic smoke. The reactor was shut down when the leak was found on Friday evening.

There was no escape of radioactivity, and no injuries were reported, officials said. But this is the latest and the most serious of a series of mishaps to hit a programme that has been widely criticised for being expensive, unproven and unnecessary at a time when nuclear fuel prices are falling. Fast breeders are designed to produce more fuel than they burn, but cost far more to build than conventional light water reactors.

"This accident is a final warning before the occurrence of a massive nuclear disaster," said a statement by the Citizens' Nuclear Information Centre, a private sector study group, and handed to the government's Power Reactor and Nuclear Fuel Development Corporation (PNC).

Mr Shoji Takagi, a member of the protest group Stop the Monju, said the accident was foreseeable, given the problems that other fast breeders had experienced in using liquid sodium as a coolant.

The PNC acknowledged that the leak was "a very serious setback" and Mr Masayasu Miyabayashi, head of the Science and Technology Agency's Nnclear Safety Bureau, said that he took the accident seriously.

The leak aroused anger from politicians living near the reactor at the coastal town of Tsuruga, 320km west of Tokyo. Mr Yukio Kurita, governor of the prefecture of Fukui, criticised the PNC, the state-owned reactor's operator, for waiting an hour after the accident before alerting central government. "This is an extremely regrettable loss of the prefecture's trust in the overall safety of Monju," he said.

Monju, named after a goddess of wisdom, started operating in August, 10 years after its inception, and was due to begin a test run tomorrow in preparation for start-up at full capacity next June. The 280MW capacity reactor cost Y590bn (£3.7bn), around twice the price of the older 500MW reactors that Japan nses for most of the rest of its nuclear production.

Japan, the world's third largest producer of nuclear power after the US and France, derives 33 per cent of its energy consumption from nuclear plants, planned to increase to 42 per cent by 2010.

PNC officials believe the leak may have taken place in a 1cm-thick steel pipe, near a section welded together five years ago. A design error in the pipe's ability to withstand heat distortion had been detected, and the repair might have disturbed the evenness of the metal's strength, said an official. However, it would take at least three months to find the exact cause of the leak, said Mr Masaaki Nishida, chief engineer at Monju.

Split spoils opposition party's anniversary

By William Dawkins in Tokyo

Japan's opposition New Frontier party was plunged into internal division over the weekend, the first anniversary of its formation as a force which pledged to sweep away the power of political factions.

The split emerged when a leadership bid by Mr Tsutomu Hata, a former prime minister and deputy leader of the NFP, faced a counterbid by his rival, Mr Ichiro Ozawa, the party's secretary general and architect of its formation.

Political analysts warned that the battle could further widen divisions in the NFP, producing a complete break-up or at least reducing its chances of beating the Liberal Democratic party in a general election expected next year.

The NFP, an advocate of economic deregulation, is dedicated to making politics more responsive to the electorate's aspirations and less driven by the impulses of the factional groups that control the LDP. However, it has become increasingly reliant on support from Soka Gakkai, a conservative lay Buddhist group, to the concern of the NFP's younger members.

Mr Ozawa, who has links with Soka Gakkai and is a believer in a more internationally assertive Japan, yesterday called for a general election as soon as parliament approves next year's budget. He believes in a sharp increase in sales tax to 10 per cent, from 3 per cent, to curb the government's growing budget deficit. However, he added yesterday that the increase should only come after an economic recovery.

His opponent, Mr Hata is a strong backer of political reform and has a clean image, despite his political origins in a faction of the LDP well known for corruption.

The current NFP leader, Mr Toshiki Kaifu, a founding father of the electoral reforms which Japan adopted last year, was yesterday still considering whether he should run for re-election.

Asean ponders role in post-cold war era

Signing of symbolic nuclear treaty will be high point of summit, reports **Ted Bardacke**

Vietnam's Communist rulers arrived in Thailand yesterday to prepare for their first summit with neighbours in the Association of South-east Asian Nations.

Starting today, Asean foreign ministers meet to discuss how to run the region in the post-cold war era and to maintain peace and stability in south-east Asia. Asean foreign and economic ministers will also prepare for the fifth Asean summit to be held on December 14 and 15. Asean leaders from Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam will also meet heads of government from Burma, Cambodia and Laos to discuss these countries' admission to Asean.

The signing of the South-east Asian Nnclear Weapons Free Zone Treaty will be the highlight of the summit. Other items on the agenda include ongoing negotiations about the Asean Free Trade Area (Afta).

Although the nuclear weapons treaty, proposed nearly 20 years ago, prohibits participants from making, possessing or using nnclear weapons, it is largely symbolic. None of the signatories is on the verge of either acquiring or developing nuclear weapons. In fact, none of the countries even has a nuclear power plant, and only Indonesia has firm plans to build one.

Yet symbolism is a hallmark of Asean and, with China and France testing nuclear weapons before a test ban goes into effect next year, Asean wanted to make its voice heard internationally.

With Burma, Cambodia and Laos also planning to sign the treaty, it will be the first concrete recognition that, on a political front, Asean has already expanded to 10 members, if not in form then at least in content.

The treaty also gives some impetus back to Asean as an organisation dedicated to regional politics and security. Since 1992, when it announced its plans for Afta, mnch multilateral energy has been devoted to economics and trade, with some officials complaining that Asean's original aim of preserving peace and neutrality in the region was being neglected.

Despite its name, the treaty will not make the region free from nuclear weapons. It allows individual countries to decide whether to allow vessels which might be carrying nuclear weapons to dock and land at their ports and airports.

Questions still remain whether the treaty will be effective, since none of the five declared nuclear powers – Britain, China, France, Russia and the US – has expressed willingness to sign a supplementary protocol.

In addition, several issues, including a quasi no-first-use declaration and questions about whether the weapons-free zone should extend to territorial waters (12km) or economic zone (200km), still need to be resolved.

Some have suggested these issues could be discussed at the Asean Regional Forum (ARF), a new Asean-led grouping which deals with security in the Asia-Pacific region and includes the acknowledged nuclear powers. But several officials say the treaty and ARF have no relation, with ARF tending towards consultation and study rather than recommendation and action.

Some Asean officials hope the EU as a group will agree to abide by the treaty during the Asian-EU summit to be held on March 1-2 in Bangkok.

The Asean Free Trade Area Council has been unable to agree to bring forward from 2003 to 2000 the deadline for all tariffs within the region to be reduced to between 0 and 5 per cent, writes Ted Bardacke in Bangkok.

"The private sector just finds it too difficult to adjust in thet timeframe," said Mr Dato' Ajit Singh, Asean secretary general. . But the Afta council noted that, even onder the original schedule, 81 per cent of all tariffs within Asean would be redneed to 0-5 per cent by 2000.

A billboard topped with the flags of Asean countries welcomes delegates to Bangkok yesterday Reuter

Labour party deplores purchase

Wisconsin Central buys royal train

By Charles Batchelor, Transport Correspondent

US involvemeot in the running of the British rail network is set to increase following the acquisitioo over the weekend of Rail Express Systems, operator of the royal train and Royal Mail train services.

Wisconsin Central Transportatioo, which paid ao estimated £20m ($31m) to £30m for RES, is also bidding to take over all three of British Rail's Trainload Freight businesses, which move heavy loads such as coal, aggregates and steel.

Meanwhile Omnitrax, another US railroad, has teamed up with the management of Loadhaul, ooe of the three BR Trainload Feight businesses, to bid for all three freight companies.

Management teams from the other Trainload Freight businesses, Mainline and Transrail, are also understood to be bidding to acquire all three companies.

Mr Brian Wilson, the opposition Labour party's chief transport spokesman, criticised the sale of RES to Wisconsin. But Mr John Welsby, BR chairman, said: "Wisconsio is a very experienced and well respected operator. That is very encouraging for the future of the business."

Wisconsin, based in Rosemont, Illioois, operates 2,800 miles of freight railroad lines in the US and acquired the newly privatised operations of New Zealand Rail in 1993.

Mr Tom Power, Wisconsin's fioancial director, said: "We have handled President Bush on our railway during election campaigns. If we can satisfy the secret service of the US governmeot I don't see us having a problem in the UK."

Wisconsin's partners in operating RES are a US investmeot company, Berkshire Partners, and Fay, Richwhite and Company, which has investmeot aod merchant banking interests.

Britain needs to invest an additional £2bn ($3.1bn) a year in transport, though increased spending will not in itself be enough to tackle congestion, the Coofederation of British Industry says in a report today, Charles Batchelor writes.

The CBI's warning comes shortly after the government, as part of the Budget, slashed its 12-year road-building programme by a third. Sir George Young, transport secretary, contrasted the CBI's call for extra spending with its description of the Budget as "responsible". Transport spending had to be seen in the context of the government's overall economic strategy, he said.

The CBI calls for more investment in roads. But the balance of investment must change in favour of other *types of transport such as rail,* buses and shipping to help encourage a switch away from roads.

Omnitrax, which operates 12 short-haul freight lines in the US, has teamed up with Peter Kiewit Sons, a US construction group, to bid jointly with the management of Loadhaul for the heavy haul freight businesses. It has the financial backing of Montagu Private Equity, a UK development capital company.

In a separate development Mainline announced that it was diversifying into container haulage.

It has reached an agreement with Stena Line, the passenger and freight ferry company, to move containers from Harwich port in eastern England to a oew rail terminal at Doncaster in the north.

Most container traffic betweeo inland railheads and ports is currently handled by Freightliner, another BR subsidiary which the government has been attempting to sell for the past 18 months.

Pop 'dinosaur' discloses $37m earnings

By Alice Rawsthorn in London

Phil Collins was Britain's best-paid rock star last year with disclosed earnings of more than £24m ($37m), followed by Elton John, Eric Clapton, Sting and Annie Lennox.

Music is one of the UK's most dynamic industries in terms of exports and domestic sales. Stars who break into the international music market are among the country's highest-earning individuals.

Media Research Publishing (MRP), a specialist research consultancy, estimates that Phil Collins's disclosed earnings doubled from £12.6m to £24.3m after renegotiation of his record cootract in 1993. He thereby ousted Elton John from the highest-earning slot.

Elton John, who is not only one of the world's most successful recording artists but also makes substantial sums from touring, disclosed earnings of £12.7m, down from £17.7m in the previous year.

Eric Clapton's disclosed earnings also fell to just under £6m from £13.4m in 1993, when he clinched a new music publishing deal.

Top earners in one of Britain's most dynamic industries: from left, Phil Collins, Elton John and Eric Clapton

The success of Annie Lennox's *Diva*, her first solo album, made her Britain's best paid female artist with a total of £5m, against £500,000 in the preceding year.

MRP bases its analysis oo earnings disclosed in the UK. That excludes some of the most successful British-born artists such as the Rolling Stones, Rod Stewart and David Bowie, whose businesses are registered in other countries.

Last year's high earners, who included members of Pink Floyd and Queen, were almost all "dinosaur" rockers in their 40s aod 50s whose careers started in the 1960s and 1970s. Eveo Annie Lennox, the youngest member of the top teo, is 40.

MRP suspects that a number of the much younger "Britpop" stars in bands such as Oasis, Blur and Radiohead will be among this year's highest earners. So will the teen acts, Take That and East 17, together with the singers Seal and Des'ree, who have both had hits in the US.

The wealthiest rock stars are those that write their own music. MRP estimates that some artists can make more money from music publishing than they do from recording – particularly if their songs are covered by other artists.

The best paid member of the "Britpop" wave will probably be Noel Gallagher, the Oasis guitarist who writes its material. He will earn much more than his younger brother, Liam, the band's lead singer.

School of fame, Page 17

Banks 'warming to EU works councils'

By Richard Donkin, Employment Staff

Talks have started between trade unions and the UK's biggest retail banks to establish European-style works councils. Union officials are optimistic that the agreement already negotiated with National Westminster Bank will soon lead to similar arrangements at all the largest banking and insurance employers.

Midland Bank officials are meeting officers of Bifu, the banking and finance union, today. Talks at Barclays Bank are said by the unioo to be advancing well.

Barclays, Lloyds Bank and Guardian Royal Exchange, the insurance company, have all started negotiations. British and European union officials the Sun Alliance insurance group will meet in the New Year. A Europe-wide agreemeot, inclusive of the UK, with Sun Alliance may prove one of the toughest to negotiate.

Sun Alliance does not recognise unions for collective bargaining in the UK, although it has a staff association. Talks at Lloyds Bank are also thought unlikely to progress until after its merger with the TSB bank.

The works council talks are being engineered by the unions co-ordinating closely with the Trades Union Congress and European unions.

Companies are not obliged to have works councils in the UK because of the government's opt-out from the European Union social chapter. But employers with offshoots across Europe cannot avoid the EU works council.

Scotland's top bosses give voice to fears on devolution

By James Buxton in Edinburgh

Scottish businesses have broken cover in the past few days. After months of making background comments, the heads of some Scottish companies have publicly stated their opposition to the Labour party's plan to create a Scottish parliament if it wins the next general election.

Sir Alick Rankin, chairman of Scottish & Newcastle, Britain's biggest brewer, explained his opposition in articles in Scottish newspapers. Lord Weir, chairman of the Weir Group, the engineering company, was among several other bosses sounding off. Last week Sir Bruce Pattullo, governor of Bank of Scotland, told an audience that he personally had "no time whatsoever" for devolution.

An attempt on Thursday to force the Confederation of British Industry in Scotland to take an anti-devolution stance failed. But the assault on Labour's plans will delight Mr Michael Forsyth, chief Scottish minister in the Conservative government. He has urged business to speak out.

The Labour party has spent the past year explaining its plans to leading Scottish companies. Mr George Robertson, the party's shadow Scottish secretary, told them that, although a Scottish parliament would be able to "vary" the basic rate of income tax in Scotland by 3p in the pound, it would use the power only with "caution and prudence" and would not touch corporation tax.

He has also assured the financial community that there would be no change to the existing regulatory structure for financial institutions.

Sir Alick said he believed the possibility of higher taxes would make it much more difficult for S&N to attract highly qualified executives to work at its head office in Edinburgh.

But the primary concern of both Sir Alick and Lord Weir is the effect they believe a devolved parliament would have on the English and the way they treat Scotland.

"There is a great affection for things Scottish, particularly in England," Sir Alick wrote. "Sensitivities can change very suddenly and goods labelled Scottish might take a back seat. This is because the business of becoming devolved will cause terrible upheavals and will be seen by the world outside as selfish and totally unnecessary."

Lord Weir says Labour's proposals do not address the question of why Scottish MPs should have a say in English legislation while English MPs would have none in Scottish. "It is hard to see why English MPs will continue to agree to the favourable financial treatment Scotland currently enjoys," Lord Weir says.

The top 25 companies surveyed by the Glasgow newspaper, *The Herald*, ranged from Standard Life via Scottish Power to John Menzies. Only two said they were content with Labour's proposals. Two were totally opposed, 12 said they had concerns, especially over taxation, three were non-committal and eight refused to comment.

Life assurance companies, in particular, which do 85 per cent of their business in England, feared English competitors would use the fact that Scotland had its own parliament against them.

Editorial Comment, Page 19

UK NEWS DIGEST

Base rate cut is expected this week

Economists in the City of London expect Mr Kenneth Clarke, chancellor of the exchequer, to announce the first cut in UK base rates for nearly two years this week after discussing the move with Mr Eddie George, governor of the Bank of England (the UK central bank). Mr Clarke and Mr George will discuss interest rate policy on Wednesday, their first mooetary policy meeting since last month's national Budget announcemeots by Mr Clarke. By a majority of about two-to-one, City economists expect Mr Clarke to decide to cut rates even if this means defying the governor as he did in May.

The chancellor is under strong political pressure to push base rates down following the lukewarm reception which his package of tax and public spending cuts received last month. He is also expected to point out that economic growth has weakened since November, when the Bank said he was still not on course to hit his inflation target.

But Mr George warned last week that Mr Clarke's willingness to take risks with interest rates had already imposed costs on the economy, for example by weakening the pound. If Mr Clarke does demand a rate cut at Wednesday's meeting, analysts believe the Bank of England – which is responsible for the timing of the move – may wait to see whether the Bundesbank cuts German rates on Thursday before acting. *Robert Chote, Economics Editor*

Losing bidder for TV channel protests to EU

UKTV, ooe of the unsuccessful bidders for the licence for the new Channel 5 terrestrial television network, has complained to the European Commissioo that the Independent Television Commissioo ran a flawed bidding process for the liceoce. The UKTV consortium, put together by CanWest Global Communications, the broadcaster based in Canada, also complains that the winner, Channel 5 Broadcasting, will be able to distort the programme and advertising airtime markets in the UK.

The complaint was sent to Brussels last week before UKTV failed on Friday in its attempt in Loodoo to win a full court review of the ITC decision. The court ruled that the issues being complained of by UKTV would be addressed in the court review already granted for Virgin Television. Both bidders were excluded for the same reason – that they were judged to have failed a programme quality threshold. UKTV argues that the bidding process was flawed because Channel Five Broadcasting was able to enhance its bid after applications were submitted.

UKTV is also complaining about two of the shareholders of C5B: MAI, the broadcasting and financial services group that controls both Meridian Television and Anglia Televisioo; and Pearson, the media group that owns the Financial Times and two large prodoction companies, Thames Television and Grundy, the company that makes popular dramas such as *Neighbours*. The other C5B shareholders are CLT of Luxembourg, the broadcaster, and Warburg Pincus, the US investment bank. UKTV argues that there are conflicts of interest between MAI, as a significant player in the UK commercial TV market, and Pearson, as a significant supplier of programmes to competing UK broadcasters, and their stakes in C5B. *Raymond Snoddy, Consumer Industries Staff*

Software expert's robot design wins award

A British software expert who has designed a robot capable of jobs ranging from microsurgery to cleaning up nuclear power stations is seeking £100,000 ($154,000) to commercialise the system. Mr Joe Michael is one of three winners in a competition for European inventors organised by the government of Monaco, has completed the design over the past three years. Mr Michael, who is 33 and works as a freelance programmer, said he was working on a machine which should be ready in the next three months.

This machine would be capable of "walking" or "crawling" under the control of a computer sending control signals to a total of about 1,000 motors. Ultimately, the system could be constructed large enough to have a hand in building bridges, or small enough, using tiny cubes and motors made out of glass, to be pushed through the skin to conduct microsurgical operations. In the competitioo Mr Michael shared a prize of FFr100,000 ($20,500) with two other groups of inventors. One of the other groups was from Hutchinson, a divisioo of the Total oil company of France, which produced a multi-layered glove for use by surgeons. The other winner was a team from Securitoo of Switzerland which produced a new type of smoke detector. *Peter Marsh, Monaco*

Photograph: Tony Andrews

Award-winning robot designer Joe Michael

Ship shortage: The governmeot has been forced to charter 55 noo-UK-flagged merchant vessels this year because of a fall in the number of British-registered ships to 258 from 1,143 in 1979, the oppositioo Labour party said. The party said it was "scandalous" that the merchant fleet had been allowed to decline to the point where "we are compelled to rely on ships from other countries to fulfil essential roles."

Flights diverted: Flights to London's two busiest airports, Heathrow and Gatwick, were being delayed last night because of freezing fog. Many were delayed by up to two hours and some were diverted to the smaller Stansted airport about 60km north-eats of London. Others were sent more than 150km to Birmingham or 300km to Manchester.

Business Travel, Page 12: Weather, Page 20

Wages of other employees in big companies increase more slowly

Median pay rise for executives is 7.1%

By William Lewis in London

Pay increases given to directors of the UK's top public companies last year were more than double those awarded to all other employees, says Incomes Data Services, the independent research body.

Total remuneration for 181 directors of the 250 top public companies whose financial year ended on March 31 1995 increased by a median 7.1 per cent, Incomes Dates states today. This compares with an increase of 3 per cent in the median earnings of all employees during a similar period.

Most top executives have oot received excessive pay rises, says Incomes Data. Nevertheless, it adds, "boardroom earnings growth has steadily, if less spectacularly, outstripped the 'going rate' across the ecooomy as a whole."

Its report finds that there "were enormous variations" among the increases in directors' earnings. Mr Steve Bedford, development director at Storehouse, had his total remuneration increased by 158.9 per cent to £435,508 ($670,680), says Incomes Data. Lord Young, the former executive chairman of Cable and Wireless, had his total remuneration reduced by 38.3 per cent to £479,247. Most of the largest decreases in earnings were a result of the failure of bonus schemes to pay out.

Incomes Data analysed the salaries, bonus payments, benefits and share options of 1,220 directors at 249 of the top 250 companies listed in the FT-SE 500 in January 1995. Annual reports used for the research had financial year ends running from June 30 1994 to June 3 1995. The only company not included was Rothmans. Incomes Data says that is because there were no published annual accounts for the relevant period.

Because of this, the Incomes Data research does not include changes introdoced by companies following publication of the Greeobury report into executive pay on July 17. Greenbury recommended that companies give shareholders more information and explanation about directors' pay.

However, Incomes Data states that "disclosure levels in the accouots have greatly improved, with at least half of the FT-SE 250 already complying with the Greeobury committee's code of practice". The report also states that "share options are far from dead", with twice as many FT-SE 250 companies having renewed their schemes as have abandoned them.

Incomes Data finds that 81 companies have a share option scheme and a long-term incentive scheme. Six companies, including BET, Whitbread and Lucas, said they had set up new long-term incentive schemes at the same time as renewing their share option schemes. Nearly £54m of notional profit was made by 225 directors from the exercise of share options during 1994 and 1995. Four directors made over £1m in a single exercise and two other directors gained over £1m by exercising several tranches.

هكذا من الاصل

THIS WEEK

Japan risks contraception reform

A curious feature of Japanese Buddhist cemeteries highlights one difference between Japan and most other countries.

A corner of the average graveyard is reserved for a row of chubby child-sized stone figures. Some wear red bibs, others carry gaudy plastic windmills. Small toys lie at the feet of the most recent arrivals.

In big city-centre graveyards there are hundreds of these melancholy statues, known as *mizuko chizo*, or water babies. They are memorials to aborted foetuses, a consequence of the fact that Japanese women, deprived of the pill, have the highest abortion rate in the world – at the latest count 400,000 terminations per year.

Unbelievable as it may seem, Japan is the only country, apart from Stalinist North Korea, where the low-dose contraceptive pill remains illegal nearly three decades after its introduction in the US.

Japan recently took a small step towards changing this, the reasons for which reveal much about the country's slow transition to a more liberal and consumer-orientated society.

The first sign of reform came in September, when a health ministry panel concluded the pill was safe and effective.

A dozen US, European and Japanese pharmaceutical companies, spotting a potential goldmine, promptly started to draw up marketing plans for the launch of a Japanese pill next summer. They estimate that pill sales could reach Y40bn within three years.

DATELINE

Tokyo: Unprecedented changes in birth control look likely, writes William Dawkins

But a warning from the UK government's committee on safety of medicines last October that seven popular brands of pill could increase the risk of blood clotting has delayed the process. It has also provoked outrage from doctors and drug companies, who believe the risk is too small to justify action. The Japanese health and welfare ministry has seen it as reason to think again.

Anxious to know the Japanese government's response, the 12 drug companies asked the ministry for a meeting last week. They were told, says a ministry official, that the decision on whether or not to approve the pill would be delayed to consider the fresh UK evidence, but final word could nevertheless be expected around next June.

Why have Japanese women been denied the pill for so long? The reasons inclnde male conservatism, consumer groups' lack of infinence, and commercial self-interest.

The health ministry nearly allowed the pill in the mid-1960s, but approval was discreetly shelved, due to fears of immorality. It began to review the pill again five years ago, but suspended licence applications at the last moment, in 1992, this time because of fears that less condom use might spread Aids.

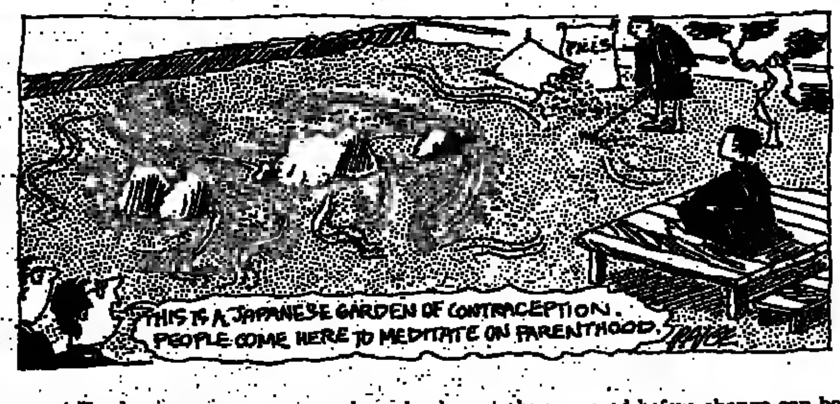
Until recently, the ministry believed the evidence proved its stance was the correct one. Whether through bureaucrats' Confucian wisdom, geography, or sexual custom, Aids and venereal diseases are less prevalent in Japan than in the west.

Another consequence of the ban, however, has been to nurture two powerful commercial interests against the pill – rubber companies and abortionists. Condoms represent 86 per cent of the contraception market for couples, according to the Japan Family Planning Association. Japanese condom producers are unwilling to lose what could be as much as half of their estimated Y70bn-plus retail market to the pill.

Japanese obstetricians and gynaecologists have also argued against reform, perhaps sensitive to the Y50bn per year they earn from performing abortions, on average Y130,000 a time.

But several factors have shifted things in the pill's favour in recent years. One is the medical evidence that there is only a negligible statistical link between the pill and the spread of Aids.

Another is social – that the ban on the pill has failed to curb natural promiscuity. Despite their third-class contraception, the Japanese aspire to first-class sex lives. A recent Kyodo news agency survey showed that more than three-quarters of 17-to-18-year-old girls feel they have the right to sexual relations.



But what may have tipped the balance is an understanding between the health ministry, doctors and pharmaceutical companies. The ministry has indicated in the past few months that the pill would be excluded from the government's national health insurance scheme, if introduced.

That means doctors would be free to charge what they liked, while condom makers and abortionists could rest assured that their market would not vanish overnight. As so often in Japan, all interests have to be appeased before change can be made.

It is unlikely, in any case, that the pill will revolutionise Japanese society. Japanese women are as conservative on contraception as their male counterparts. According to one recent opinion poll, only 10 per cent of women would use the pill. But some industry analysts say that figure could double as married women opt for surer birth control.

At the very least, the pill would reduce the growth of the saddest corner of Japanese graveyards. At most, it could cheer up both sexes at a gloomy time in Japan'a national fortunes.

FT GUIDE TO THE GLASS CEILING

What is the glass ceiling?
It's a term used to describe the invisible barrier which prevents women and (in the US) members of ethnic minorities from reaching the top in business and politics.

Why is it in the news?
Well, in Britain, Lady Howe, chief of Opportunity 2000, said recently: "Women really are begining to break the glass ceiling."

And what is Opportunity 2000?
It is a campaign led by British business to increase the qoality and quantity of women'a employment opportunities in private and public sector organisations. Launched in 1991 with 61 members, the organisation now bas 293 members, represeoting more than a quarter of tbe UK workforce.

Why was Lady Howe so chirpy?
Lady Howe (one should perhaps not refer to ber as the wife of Sir Geoffrey, the Conservative politician) was introdncing Opportunity 2000's fourth annual report. This sbows that the percentage of women directors in member organisations bas doubled in one year from 8 per cent to 16 per cent. Women now account for 32 per cent of all their managers, against 25 per cent last year.

Problem solved, then?
No. Women comprise almost half tbe UK workforce, bnt figures for all employers show that only 11 per cent of managers are women and a mere 3 per cent are directors. Most British employees are in organisations which do not belong to Opportunity 2000 – and Lady Howe emphasised that there remains "much to do" in terms of encouraging the take-up of women-frieodly policies even among members.

What is to be done?
Opportunity 2000 advocates flexible working arrangements and family-friendly initiatives to help working parents and others to balance better their lives at bome and work. These include flexible bours, career breaks and training combined with childcare support.

What is bappening ontside the UK?
In spite of decades of progress in health and education around the world, women still face a "global glass ceiling", according to a UN report. It concludes that "in no society do women enjoy the same opportunities as men". In developing countries, less than a seveuth of administrators and managers are women. Around the world, women occupy only 10 per cent of the parliameotary seats and 6 per cent of the cabinet positions.

Are there no successes to report?
The Nordic countries top a UN index that assesses countries' empowerment of women in government and business. In Finland, parents can choose between two alteroatives: after a 12-month maternity leave, either parent can stay at home until the child is three, with monetary compensation and job guarantees. Or the community must arrange childcare for working parents. Sweden gives parents of children under 10 the rigbt to shorten their workday by two hours. It also has separate taxation for part-time and full-time work to increase after-tax earnings for part-time work.

And the US, home of feminism and affirmative action?
The Glass Ceiling Commission says that 95 to 97 per cent of the senior managers in *Fortune 1000* industrial companies and *Fortune 500* companies are men. 48 per cent of all journalists are women, but they hold only 6 per cent of top jobs. Lawyers? 23 per cent are women, but they account for only 11 per cent of law firm partners. Robert Reich, President's Clintoo's Labor Secretary, says: "While minorities and women have made strides in the last 30 years and employers increasingly recognise the value of workforce diversity, the exectitive suite is still overwbelmingly a white man's world."

What's this Glass Ceiling Commission?
A 20-member, bipartisan body created by Congress as part of the 1991 Civil Rights Act. Elizabeth Hanford Dole, then President Bush's transportation secretary, initiated the first government studies, targeting federal contractors regulated by her department.

Dole? That name rings a bell.
Yes: difficult to avoid describing ber as the wife of Senate Republican leader Robert Dole, who as majority leader pushed for the creation of the commission. Senator Dole, clear favourite to run as the main Republican challenger against President Clinton next autumn, has now joined leading congressional Republicans – as well as some Democratic lawmakers – in questioning whether the need for affirmative action in hiring and promotions has passed. President Clinton has ordered a review of all federal affirmative action programmes.

Ah, the great white male backlash?
Indeed. The Glass Ceiling Commission report comes at a time when affirmative action programmes to increase mioority hiring in the US are under increasing political attack – particularly from white males, who say companies are forced to hire women and minorities regardless of qualifications. The commission reflected that political concern in calling for the use of affirmative action to ensure that all *qualified* – underlined in the report – individuals have equal access aod opportunity.

So what is the outlook?
The commissioo acknowledged that one factor was the corporate downsizing of the last decade, which bas limited opportunities for all managers. Judy B. Rosener, a US academic, says: "Women cannot be expected to break the glass ceiling from below. Since meo are the dominaot group, they will have to remove the ceiling, and that will be difficult since for them it constitutes a floor – a feeling of security."

Andrew Bolger

Power lunch: only 11 per cent of managers are women

Simmons gives black rap a voice

Alice Rawsthorn discovers an entertainment entrepreneur with plenty of ghetto glamour

When Def Jam Records released its first single – by James Todd Smith, a teenage rapper who had renamed himself Ladies Love Cool James, or L L Cool J for short – no-one in the music industry dreamt thet James, or his label, would succeed.

A decade later L L Cool J has yet another top-five single. Def Jam has just celebrated its 10th anniversary and its first year as a subsidiary of the PolyGram entertainment group, and Russell Simmons, its chairman, is spinning new plans for the future.

"We had no vision of how Def Jam was going to develop," he says. "All we wanted was to work with a certain type of artist and because no-one else would put out their records we did it ourselves. Now I'm more focused. I know exactly what to do."

Simmons, 38, combines the rap uniform of a shaved head and hooded sweatshirt with the glossy sheen of a seriously successful businessman. He is one of a handful of young American blacks who have broken out of hip-hop culture to becoma influential figures in the mainstream entertainment industry.

Def Jam is one area of Rush Communications, Simmons' master company, which spans film and television production, a fashion label and an advertising agency. He and his "best friend", André Harrell, once his $200-a-week personal assistant who recently signed a $20m five-year deal with PolyGram to run Motown Records, are the first prominent black entertainment entrepreneurs since Berry Gordy founded Motown in the 1950s. Howaver, unlike Gordy, who has been criticised in the black community for pandering to white taste, they made it on their own terms.

Russell Simmons: 'I sell black entertainment to people into black culture'

"Berry Gordy sold black entertainment to white people," says Simmons. "The difference between him and me is that I sell black entertainment to people who are into black culture. Some of them just happen to be white."

He never wanted to be a businessman. "It wasn't something I thought about. The only businessmen you saw where I grew up were drugs dealers. They were the only people I knew who bought something for $1 and sold it for $2."

This may be a little disingenuous from someone born in Hollis, a middle-class black suburb of Queens, New York, to a professor of black history and his teacher wife, but Simmons built his business from nothing. He began as a party promoter in the late 1970s for the black disc jockeys, who were experimenting with hip-hop mixing techniques. He then started managing Kurtis Blow and Run DMC, a rap trio formed by his younger brother, Joseph, with two schoolfriends.

"None of them could get recording contracts. The labels didn't understand the music and didn't think anyone would want it." Simmons paid for Kurtis Blow to make a vinyl single and put the serial number of Mercury, a PolyGram label, on it. "When the kids went to buy it the stores looked at the number and called Mercury to place their orders."

Mercury signed Kurtis Blow. Simmons then launched his own label, Def Jam, with Rick Rubin, a student at New York University. Rubin produced and Simmons promoted a series of new rap stars including L L Cool J, Public Enemy and the Beastie Boys.

Def Jam scored a string of rap firsts. Run DMC was the first rap act with a platinum record. The Beastie Boys were the first to sell more than 5m albums. They left after one album, followed by Rubin, bnt Def Jam had broken into the mainstream. "MTV had a lot to do with it," says Simmons "Once they started showing our videos, no-one could ignore them." Rap purists say Def Jam has softened. Its best-selling acts are now Warren G and Montell Jordan with their soulful vocals and ghetto-glamour videos of bright, beautiful black kids cruising in convertibles.

Public Enemy voiced its view of the new Def Jam by burning the company flag at a recent concert. Simmons is unabashed. "We're giving people what they want. Black kids want glamour and good times. They want tha American good life. I'd nevar want rap to become acceptable. But Senator [Bob] Dole [who recently criticised the violent lyrics of gangsta rap] saved us from that. He made us dangerous again. Thank you!"

Simmons now wants to expand his interests outside music. *The Addiction*, a film he produced for the cult director Abel Ferrara, has opened to rave reviews. Def Comedy Jam, his TV show, is in its fifth season. Ha has ambitious plans for Phat Fashions and for a Def Jam Café in New York. He also hopes to act as a consultant to mainstream advertisers hoping to reach the youth market.

He lives the ghetto-glamour lifestyle to the full with a bullet-proof Rolls-Royce, weekends in the Hamptons and nightly appearances at the Bowery Bar (the chic Manhattan restaurant in which be is an investor) with André Harrell on one side, and a supermodel on the other. A favourite of Alain Lévy, PolyGram's chairman, Simmons is now on the entertainment 'A' list of sought-after celebrities.

"I'm in style now. Maybe it'll change. Who knows? Some of them, like Ronald [Perelman, the financier] are real friends. But if I go out of style, the others will still want me for my cheque book."

NAMES IN THE NEWS

Putting his money where his mouth is: Sondhi's Asia Times

"I'm not an ordinary Asian," says Sondhi Limthongkul, publisher of Asia Times, the continent's newest daily business newspaper, writes Simon Holberton in Hong Kong. "I don't view money as something to accumulate." At 48, Sondhi, who heads the Manager pnblishing group in Thailand, is about to test the limits of this apparent insouciance towards money. He says he is willing to put up to US$60m of his own cash into Asia Times, a broadsheet which hit the streets of Hong Kong, Singapore and Bangkok last week.

"I've had this vision and ambition since I was a college kid," says Sondhi, a third generation Thai of Chinese extraction who was educated in Taiwan and California, as well as Thailand.

His company is already one of the largest contract printers and trade publishers in Asia. He publishes a daily and weekly newspaper in Bangkok as well as Asia Inc, a glossy monthly business magazine in Hong Kong. In addition, Sondhi has interests in satellite television and telecommunications – a spread thet has earned him the sobriquet of Asia's Rupert Murdoch.

The budget for Asia Times envisages a circulation of 30,000 copies by the end of next year and up to 120,000 by 2002. "When you look at the Asian Wall Street Journal and the number of years it has been in Asia (20), yet it sells less than 50,000 a day," Sondhi says. "There must be something wrong. Either the market is not there or their product is not right. I'm betting that their prodoct is not right."

Eliasch in Vienna

When London-based investor Johan Eliasch arrived in Vienna in mid-September and proposed to take over the troubled sports equipment group Head-Tyrolia-Mares (HTM), he looked to some like a typical con man, writes Eric Frey in Vienna.

The 33-year-old Swede was virtually unknown in Austrian financial circles and was bardly ever mentioned in the British business press. He put only Sch10m ($1m) of his own money into the nearly bankrupt firm. In addition, he demanded a Sch1.19bn capital injection from the previous owner, the Austrian state-owned tobacco monopoly Austria Tabak, and Sch600m in debt forgiveness from the creditor banks.

His flagship firm, Equity Partner, is registered on the Isle of Man; and the company that formally bought HTM had been acquired only a few weeks earlier.

But Eliasch had excellent references and some very important friends. He was recommended by Warburg banker Michael Treichl, scion of Austria's best-known banking families, and was supported by Maurice Saatchi and the Rothschild family.

It took tha quiet Scandinavian more than two months to convince the skeptics that he was for real. But he presented Rene Jaeggi, who had turned around German sportswear group Adidas in the 1980s, as manager and co-owner, and reached an agreement on debt forgiveness with the banks. If Eliasch can now persuade the European Commission to swallow the sizeable package of state aid on offer from the Austrian government, he might soon be known as a financial whiz who helped preserve several thousand jobs in Austria and kept the reknowned Head skis and tennis rackets in the stores.

Eliasch started his career in Stockholm as a partner in the Gyllenhamar investment group and went to London 10 years ago to escape the high income taxes in his country. He made his fortune hy investing in turnaround candidates like Scholl of Germany and the Swiss machinery gronp Portescap. Eliasch also owns 75 per cent of Tufton Oceanic, a shipping investment group based in London, and is the sole owner of London Film Ltd., which holds the worldwide distribution rights to several Disney movies.

FILM/VIDEO

■ Tell people that *Babe* is about a talking pig and they tend to raise their eyes to heaven, muttering something about senility in Tinseltown. But they are wrong on two counts. Although set in America, this live-action comedy with voice-dubbed animals was made by Australians. And far from needing geriatric care, its bounce and charm has won oear unanimous praise.

As for talking animals, if George Orwell can do it why not director Chris Noonan?

Babe is an orphaned pig farmed out to a nasty landowner, where he befriends ducks, dogs and sheep, all blessed with the gift of stunningly synchronised speech.

Love, death, triumph and other vicissitudes ensue, washed down by a classics-plundered score (Grieg, Bizet, Faufe).

■ Animal week in the cinema continues with *La Belle et la Bete*, revived at the National Film Theatre.

Jean Marais is the handsome prince behind the snout and whiskers, Josette Day is the beauty, and director Jean Cocteau is the cellnloid image magician making perhaps the greatest of all screen fairy stories.

■ Straight from the Channel tunnel into the NFT comes another tribute to n French master: a 10-film salute to Marcel Pagnol's wistful, glowing human comedies set in a never-never Provence that somehow seems more real than the real thing.

■ On video, a choice of curios. P J Hogan's *Muriel's Wedding* is a successful Australian comedy about love, dysfunctioning family and Abba-mania. John Carpenter's *In the Mouth of Madness* is a wittily off-kilter horror film. Knrosawa's *Sanjuro* is a classic swashbuckler with the right amount of runic grunts and gesticulations from the inscrutable east.

Nigel Andrews

Sheepish in career terms: Babe the Gallant Pig has a classical score

MANAGEMENT

Whitehall's winds of change

Improving managerial efficiency in the public sector has been one of the government's main objectives since Michael Heseltine made it his mission as environment secretary in the early 1980s.

Ironically, in the early years, the "new public management" – as it has come to be knnwn – was most pronounced not in Whitehall proper, but in state industries en route to privatisation. It then spread to the National Health Service and the semi-autonomous executive agencies established from 1988 under the "next steps" initiative.

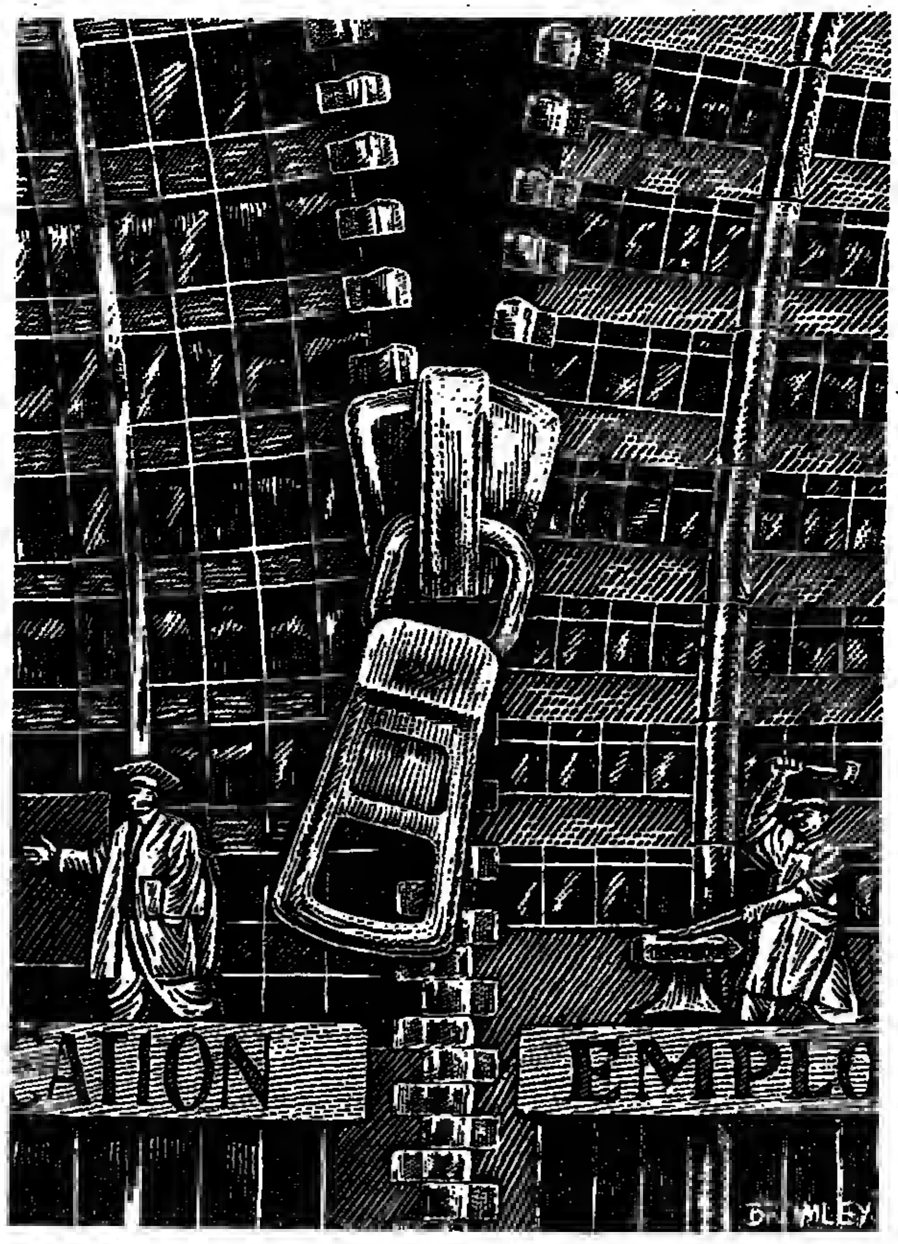
Only in the mid-1990s has the full force of its influence been felt at the centre of Whitehall departments. Tha delay has served, if anything, to increase the radicalism of change across Whitehall. It is no longer a just a case of nbliging mandarins to be more "managerial". The need for anything like the existing scale of departmental infrastructure is no longer accepted, and a large-scale "delayering" of the senior civil service is being carried forward at remarkable speed.

This radicalism is, in part, a consequence of the earlier move towards agencies. For the creation of agencies begged questions about the essential purpose of the remaining central staff in Whitehall.

Two instruments are driving the reform process. Every department is undergoing a fundamental expenditure review of overheads in general, and also a senior management review focusing on the upper mandarin tier in particular.

The primary impetus for both reviews has been cost-cutting – an objective raised higher still by Kenneth Clarke's announcement in the Budget that Whitehall is expected to lop another 12 per cent off its running costs over the next three years. However, the government has not developed an entirely consistent method of restructuring. Some departments have largely accomplished their reviews in-house; others have relied heavily upon consultants.

These twn articles examine the contrasting approaches. The first looks at the merger between the departments of education and employment, carried through with no significant input from consultants; the second examines the change programme at Customs and Excise, which relied heavily on outside advice.



Education in a new ethos

On the afternoon of July 6 this year, the 50,000 staff of the Departments of Education and Employment learnt, in literally a footnote to that day's cabinet reshuffle, that their departments were to be merged.

The permanent secretaries of the two departments – Sir Tim Lankester at education, Michael Bichard at employment – had advance warning. They were told in the morning.

The process of forming a merged department therefore started in deep shock. "There had to be time to grieve," says Bichard. But within a day or two the grief had turned to foreboding among the staff at what it meant for them.

For most of the 50,000 It meant little change. Some 40,000 of the support staff belong to the Employment Service, a quasi-autonomous agency. The service's chief executive remained in post, and the agency cootinued as if nothing had happened.

The same was true for most of the 4,000 staff in the Health and Safety Executive and Acas, the conciliation service. Although the two agencies were moved to new departments – environment and trade and industry respectively – they retained their institutional integrity and functions.

However, for the nearly 7,000 staff working for the central administration of the two merged departments, a revolution was In prospect. It was not an exclusively Whiteball affair: most of the support staff are based not in Loodon, let alone Whitehall, but in Sbeffield, Runcorn and Darlington.

Senior officials were the first and hardest hit. Even before the merger, senior management reviews were in train in both departments, Identifying tiers of top mandarins to be "delayered". The merger Increased anxiety at the likely scale of the cuts. Rightly so, since the outcome has been a reduction of senior posts from 145 to 95, whicb appears to be the largest percentage cut for any Whitehall department as a result of this year's reviews.

"We were determined to get agreement quickly on structure so as to get the top people in post and reduce the uncertainty," says Bichard. He and Lankester deliberately eschewed the use of outside consultants, placing a premium on speed.

Not that they were adrift from private-sector experience. The two departmental reviews previously in progress had external advisers – Peter Davis, chief executive of the Prudential, advised the education department.

The restructuring of the department's senior management was carried through at almost hreakneck speed. Although tbe review process started on the eve of the summer holidays, a management hoard structure for the combined department was in place within four weeks. Its members have all now been appointed.

Within 10 weeks – on September 27 – the management review document was published. The aim was threefold. First, to construct a new, streamlined senior management structure, while keeping the show on the road. Second, to put people into the new jobs. Third, to set out the new department's "mission", one embracing the best of both of its two inherited traditions.

Uncertainty reached the very top. Although Bichard and Lankester had been appointed joint permanent secretaries on the merger, and continned to advise ministers in their respective spberes, it was immediately clear that there would be room for only one chief.

"In a curious way It belped, because we could face the staff with them knowing that we were in the same position as them," says Bicbard. "With both of us there, people knew that their interests would be taken into account."

Soon after the completion of the senior management review It became known that Blchard, who had only arrived at the administrative helm of the employment department nine weeks before the merger, was to assume the top job from January.

In one sense, it was a fair balance. The ministerial head of the merged department is Gillian Shephard, education secretary before the reshuffle. But the appointmeot neatly symbolises Whitehall's changing ethos. Lankester, a top-flight Oxbridge economist, is a mandarin of 22 years' standing. In his early 50s, be is the model permanent secretary and could have expected to continue in post until retirement.

Bichard, hy contrast, only entered Whitehall in April. He is the first permanent secretary of a mainstream department to be recruited by an open competition. Most of his career has been spent In local government, until he moved to become first chief executive of the Social Security Benefits Agency in 1991. He is admired as a "can do" manager, typifying the new Whiteball trend.

The transition appears amlcable, with Lankester and Bicbard briefing tbe FT jointly about the process of change. Discussing tbe culture of their erstwhile departments, Lankester stresses the policy formulation skills of the education officials, while Bichard highlights the employment department's "ability to deliver".

They praise both strands, but there can be little doubt that hard-edged managerial skills are first priority in Bichard's new empire.

Andrew Adonis

Customs built approach

The glossy hrochnre headlined "management plan" looks routine hy the standards of modern corporate re-engineering. Describing the difficulties faced by a £740m mature business with nearly 26,000 employees, the chairman's statement defends the need for "restructuring" and "delayering".

Then the company name, located just above the attractive crown and portcullis logo on the cover, catches the eye: the plan belongs to none other than HM Department of Customs, which is now coping with the massive cost cuts necessltated by the government's expenditure and management reviews over the past two years.

"We could bave reacted In a standard Whitehall manner, looking at [the reviews] as a strictly financial prohlem, hut the quality and quantity nf what we produced would tben have declined sharply," notes Mlcbael Rickwood, head nf the department's change management unit.

To prevent such an outcome, in 1994 the board brought in a team from Kinsley Lord, the consultants. Under the guidance of Andrew Jackson, a former member of the prime minister's Efficiency Unit who now heads the central government practice at the consultancy, four groups were set up to study the key tasks of the department: collecting UK revennes (mainly VAT), combatting drug smuggling, collecting EU revenues (mainly import duties) and putting together trade statistics.

Each team was assembled from internal staff, trained by Kinsley Lord, and then given six months to put together a programme of action. "We felt it important that department employees carried through the initiatives themselves so that they would feel they owned the change process," notes Jackson.

After Treasury approval had heen nbtained, implemantation began shortly after the 1994 Budget, starting with a restructuring of the board and then turning to more fundamental problems.

"The review forced us to ask ourselves two questions: are we using our resources effectively and dn we need all thosa resources," says Rickwood. "The answers were surprising. We were amazed at the extent to which we weren't clear abont our tasks and objectives."

Most striking was the divergence in methods used by department officials to carry out broadly similar duties such as collecting VAT and customs revenue. "Our VAT responsibility only dates from 1973 while customs collecting started in the 17th century," says Rickwood. "The people involved in the two areas didn't learn from each other but from their own prior experience. It was one of several areas where we found that the department had nn pollcy of identifying best practice, let alone implementing it."

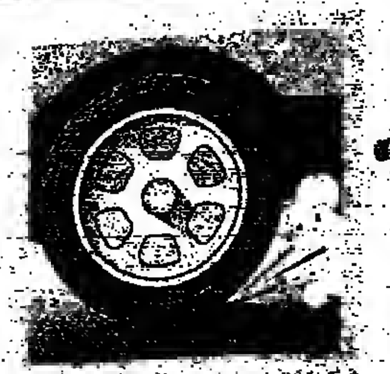
It also became clear that many activities were actively structured to provide incentives for unhelpful behavinur to the publlc. In VAT collection, for example, agents were rewarded for finding tax evaders rather than helping companies, particularly new ones, follow regulations better. Now, while auditors still lnok nut for tax cheats, the system has been restructnred to help new businesses choose the assistance they feel most appropriate for them.

Despite these and nther improvements – which include meeting a variety of efficiency and quality targets – there have been problems. Most conspicnous was the failure to get regional nffices, which were nnt directly involved in the review, enthnsiastic abont the changes "Morale was very low for a wbile, though it's Improving now," admits Rickwood. "On balance, what has emerged has exceeded all our expectations. It has given us a sense of strategic directinn that wasn't there before."

The department also found obstacles to pnshing through changes that are not shared hy private companies. "There are enormous vested interests in a place like this and managers have to spend a lot more time just handling internal politics than would their private sector counterparts," observes Stephen Taylor, a one-time civil servant who is now with Kinsley Lord.

And then tbere is the ever present issue of political accountability. Drug enforcement apart, Customs and Excise does not have a high pnblic profile. That makes the implementation of management changes easier than might be the case elsewhere in Whitehall, bnt still much harder than for a private company.

Mark Suzman



FAST TRACK

Londis

Independent high-street traders struggling to survive against competition from edge- and out-of-town grocery superstores are discovering a new weapon: "symbol" groups such as Londis.

Unusually for a 36-year-old group, Londis has almost tripled its turnover in the past eight years, from £98m to a projected £281m this year.

Londis is a holding company, whose shareholders are almost 1,400 independently owned shops ranging from village stores to high-street supermarkets and petrol forecourt shops.

Such symbol groups, whose members form an alliance to share expertise and get better buying terms, have been trading for decades. But, partly through adopting the kind of centralised distribution systems and information technology used by larger retail groups, they are enjoying a resurgence in the 1990s.

IT systems that enabled large retailers to make vast efficiency improvements in the past decade – check-out scanning, electronic stock control and ordering – are becoming affordable to smaller groups.

Londis has been one of the fastest-growing UK symbol groups, attracting 400 retailers to transfer from other groups since the late 1980s. It hopes to grow by about 100 members a year.

Londis is retailer-driven, says chief executive Graham White. It was founded by retailers who wanted to own their source of wholesale supply, rather than by a wholesaler looking to tie in retail outlets – as with some competitors. Londis retailers remain equal shareholders in the holding company.

Another incentive is the trading record of retailers which have joined. White says efficiencies created by being part of a larger group means new members can typically reduce their delivered cost of goods by 2 per cent or more, and increase net profits by 28 per cent or more."

While members remain owner-managers of their stores, Londis operates in many ways like a large chain. It has shifted from a network of small warehouses to distribution from a small number of large, regional distribution centres.

Members also gain from centralised buying, since Londis as a group can get better prices from suppliers than retailers could individually. It has a range of Londis own-label goods.

Retailers become part of a marketing "umbrella", which includes a common Londis facia, and support from a 48-strong development team which advises retailers on every aspect of business, from range selection and lay-out, to security.

Londis has set up an IT network similar to that of large multiples. Some 500 Londis outlets have bought the group's check-out scanning system, Londiscan. Participants are linked to Londistrack, a head office facility which tracks stores' sales.

White says despite the loss of a certain measure of independence, joining a symbol group for an independent retailer is the "ultimate defensive move".

He believes the restrictions being placed on out-of-town retail developments could provide an important opportunity for groups like his. "But those which will prosper are those which are well-organised, and technologically driven."

Neil Buckley

A smile a day keeps stress away

LUCY KELLAWAY

Are you smiling? If not, you should start now. When you smile, happy chemicals flood your brain, you stop feeling so stressed and you are less likely to become ill or to have an accident. So says the British Safety Council, which has decreed this week Smile for Safety Week.

Yet the chances that I am smiling as you read this are so small as to be off the map. Today I move house. That makes it probably the most stressful day of my life. According to the experts, moving is third oo tbe stress scale after death or divorce, and as yet I bave not had a close brush with either.

Until a week ago I thought only wimps could find moving stressful. I could not see how putting a few things in boxes could be such a great problem.

But now that the day looms, I find that my hair is falling out, I have hackache, am bad-tempered, anxious and depressed. I feel anger towards others, lose control regularly, and am exhausted. The fact that there are a few stress symptoms which I am not yet showing – skin complaints, insomnia, loss of appetite, migraine and ulcers – is only a small consolation.

I have started to view our house as a large, inefficient corporation with room after room of surplus, unproductive belongings. It is crying for rationalisation. But as I sifted through the piles of things last week I realised that downsizing your personal effects is no easier than downsizing your company. The real horror lies in finding new homes for the surplus. My cleaning lady doesn't want it, there is too much for the ruhbish men to take away, and even the school jumble sale is less than enthusiastic.

However, the packing is the least of it. Still more stressful is dealing with the estate agents, solicitors, removal men, BT, British Gas, the electricity hoard, the insurance company, locksmith, plumber, handymen, carpet fitters and so on.

In my column last week I complained that the problem with the economy was that there is too much competition. I bave changed my mind: I now think there is too little. In the removal industry, in particular, there seems to be none at all. How can it be that one company can quote £500 and anotber £1,250 for shifting the same pieces of furniture? Moreover, all of them are so surly as to have alienated me before they have moved a single chair. British Gas, meanwhile, seems to have given up serving the customer altogether. "Read your own meter," the man said to me grumpily, when he finally got round to answering the phone.

Christmas makes it all so much worse. I can understand why the Post Office or turkey farms have a last-minute rush before Christmas, but why should plumbers and locksmiths suddenly be so husy? I expect it is because we are all trapped on the Christmas treadmill, and regard the happy festive day as an unmoveable deadline for getting those taps fixed that have been dripping for weeks.

Of course, if I were not so stressed I would not be taking it all so badly. What I need to do is smile, but I don't know bow to wipe the scowl off my face. The British Safety Council seems to have anticipated this difficulty, and has seot me a sheet of celebrities' favourite jokes to help. "Good morning, I'm the handyman," begins a chillingly relevant joke that Michael Aspel OBE finds amusing. "Can you change a lighthulh?", "No". "Unhlock a sink?", "No". The joke goes on in this vein for some time, and then comes the punchline – "Then what makes you so handy?" "I only live around the corner!"

Are you smiling now?

Some interesting light has been cast oo another of life's upheavals: losing your joh. Apparently this is not a stressful thing after all. According to a survey by consultants DBM, losing your job can make your marriage better. Initially I took this as evidence that work is putting such an intolerable strain on the family, that being fired is an improvement. But when I read that couples in the north think on balance that redundancy improves their relationships whereas couples in the south do not, I was not sure what to make of it. Unless of course It proves that surveys are not worth the paper they are printed on.

My comments last week about loo rolls have gone down hadly in Germany. I have received a letter from a reader in Grunwald who would kill to be ahle to choose between quilted, honeysuckle and supersoft lavender.

At his local Tenglemanns (Germany's equivalent of Sainsbury) he tells me he is lucky to find any rolls at all. Last time he bought the final two on the shelf.

I also seem to have offended chief executives hy talking about weak handshakes and boring office buildings. The head of Norwich Union asked one of his staff to call me last week to say that he has a firm handshake and that his building is not at all like other buildings as it is made out of Greek marble. So there you go.

BUSINESS EDUCATION

NEWS FROM CAMPUS

Hoisting the vocational standard

The Management Charter Initiative (MCI), the independent organisation set up to increase standards in British management, is about to launch a set of revised standards. It follows a consultative process which began earlier this year.

The standards will be piloted until June 1996 and launched fully in October 1996, alongside the associated vocational qualifications. The revision is intended to simplify the plethora of standards and increase their relevance. They will define a wider range of management functions and give a strengthened role to personal competency.
MCI: UK, (0)171 872 9000.

● Personnel staff, or others who want a recognised training qualification, can attend a newly developed certificate course which will be run by the Civil Service College from January. The course leads to the Certificate in Training Practice, awarded by the Institute of Personnel and Development. The six-module course has been designed to bring the development of training staff in line with national vocational qualifications.
Civil Service College: UK, (0)1344 634000.

Three-year course gets seal of approval

The Warwick Business School's latest master of business administration course, which is intended for working managers who do not want to give up their jobs, has just been accredited by the Association of MBAs. The Warwick Modular MBA comprises a series of intensive one-week modules spread over three years.
Warwick: UK, (0)1203 524306.

The better the college the better the pay

If yoo attend a highly rated university or college it could increase your salary by up to 20 per cent, according to a recent study from the Wharton School at the University of Pennsylvania.

Researchers there ranked 500 colleges which ran four-year courses and compared the earnings of meo from similar backgrounds who attended the various colleges.
Wharton: US, 215 898 5000.

Management schools and corporations alike are recognising the skills of minority students

Diversity triumphs

It was a cool autumn day in Boston, but inside the convention hall the recruiting competition was heating up. Curricula vitae changed hands faster than goods at a bazaar.

Representatives from some of the leading names in corporate America – Chrysler, Ford, GTE, Hewlett-Packard, General Motors and Citibank, among others – were jodging the results of a student case competition, while spontaneously organised interviews were yielding on-the-spot joh offers.

This was the scene recently at the National Black MBA Association's annual conference, which has turned into one of the hottest corporate recruitment venoes around the country for graduating business school students. Long under-represented, both at the business schools and in US corporate offices, MBA graduates from minority ethnic groups find that they are now highly desired commodities.

There are several reasons for the surging interest in minority MBAs. "Companies have realised that there are minority customers out there, and as they target those customers, they are interested in establishing more diversity in the workplace," says Alex Austin, editor of Minority MBA magazine. Corporations are also waking up to the special skills which many minority etudeots possess – bilingualism or familiarity with other cultures.

The efforts of minority MBA organisations snch as the National Black MBA Association and the National Society of Hispanic MBAs have also helped boost the number of minority students who have applied to business schools, creating a larger pool of talent at the end of the pipeline.

"We've helped MBA schools attract more qualified applicants, so the quality of graduating minority MBA students has gone up," says Peter Hernandez, a Pacific Bell manager and member of the board of directors for the Society of Hispanic MBAs.

As corporate America places more value on having a diverse workforce, executives have discovered that conferences sponsored by minority MBA organisations are fertile recruiting ground.

"These events are great opportunities for us to identify some of the best candidates in the field," says Priscilla Meadows, team leader for finance re-engineering at phone company GTE and a judge for this year's Black MBA case competition which centred on marketing Chrysler's latest model, the Neon. "The case competitions allow us to see how these students really perform under pressure. I went back to the office with over 100 resumés this year."

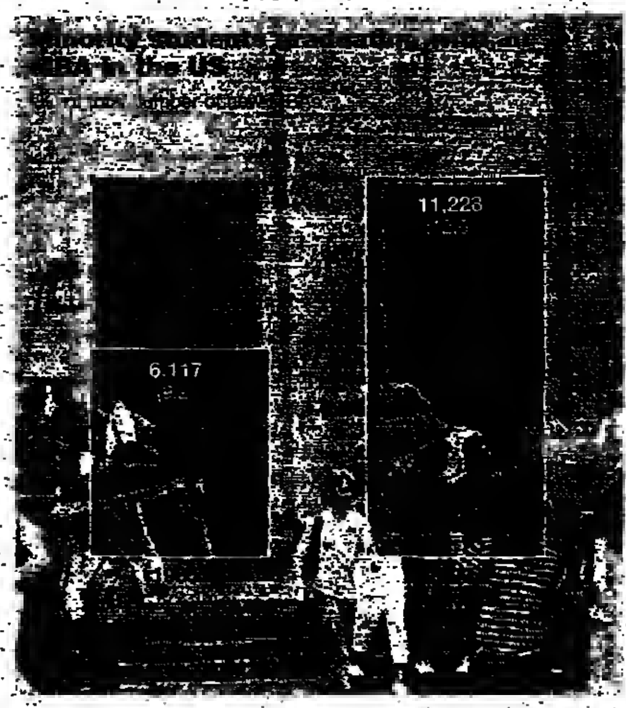
The growth of minority organisations' influence on corporate recruiting has been phenomenal. Five thousand students and gradoates attended the National Black MBA Association's conference in Boston this year plus 270 corporate recruiters. This compares with 1,600 participants and 189 corporate partners five years ago. Antoinette Malveaux, president of the organisation, estimates that nearly half of the Fortune 500 companies sent recruiters this year.

The Society of Hispanic MBA's, formed in 1990, said its first conference pulled in just a handful of corporate recruiters and 300 people, while this year's gig boasted 1,200 attendees and 150 corporate representatives. Electronics company Hewlett-Packard hired 10 candidates on the spot at the event; consultants Price Waterhouse hired eight.

The conferences mean corporations can help address their diversity needs in a single spot instead of traipsing all over the country in search of qualified applicants. And participants say the conferences help them identify companies that will provide opportunities for career edvancement.

Most corporations send to euch events executives from minority groups, who can directly address students' questions about how they are treated within their company. "We're not kidding ourselves," saye Hernandez. "We know there's still a glass ceiling there. But most of the corporations that show up for these things are serious about making sure minority executives have room for advancement."

Victoria Griffith



Atlantic link-up

Where the US takes the lead in promoting highly qualified professionals from ethnic minority groups, the UK is slowly beginning to follow.

The only overseas affiliated member of the American National Black MBA Association is the African and Caribbean Finance Forum, which is administered from Welling, Kent. The organisation was founded in 1990 and became affiliated to the US group two years ago. Like its American counterpart, the ACFF is run largely by African/Carihbean professionals. But it is run completely by volunteers.

The stated aims of the organisation are similar to those espoused by its US model – to advance the education of its members. In the case of the ACFF this is particularly for those in the business and finance sectors.

The ACFF is hoping to start a series of bursaries and awards for undergraduates and school pupils over the next year, through its links with London universities. But Mervyn Archer, chairman of the ACFF, describes funds as "very limited".

Della Bradshaw

CONFERENCES & EXHIBITIONS

JANUARY 5
International Asset Allocation
eal for professionals involved directly / directly in international investment nagement. Analyses investor objectives the principles and techniques of asset ocation • Examines the importance of ivatives in the asset allocation process • Constructing an international portfolio • ategic, tactical and international asset ocation • Currency overlay strategies • nthetic asset allocation.
ntact: Jonathon Rogers - BPP Bank Training
: 0171 628 8444 Fax: 0171 628 7818
LONDON

JANUARY 9 & 10
Foreign Exchange Trading
aining in Spot and Forward Forex aling for Trainee/Junior Dealers and porate Treasury Personnel. This in an ensive course (using a unique PC ndows based dealing simulation). ining effected by practitioners with ny years market experience.
0 + VAT. 2 Days.
ntact: TFL/Nicola Blackman
: 0171-606-0084/600-2123
: 0171-600-3751
LONDON

JANUARY 16 & 17
Money Market Processing & ttlements
al Types • Forward Forwards & FRA's • rchases • Repos • Processing • Internal orts & Portfolios • The Central Money kets Office • Reconciliation. Case Studies ded. Course is designed for delegates with ed technical understanding of the product. introductory course is given by practitioners many years market experience + VAT. 2 Days.
Contact: TFL/Nicola Blackman
0171-606-0084/600-2123
0171-600-3751
LONDON

JANUARY 22 - 24
Introduction to Foreign Exchange and Money Markets
Those involved in corporate banking or treasury need to understand Foreign Exchange and Money markets, their products and risk management techniques. • FX: Definitions, Key Players, Spot and Forward, Basket and Cross Currencies • Money Markets: Bank of England Operations, Discount Houses, Instruments • FRAs, Options, Caps, Collars and Floors, Swaps. 3 days. £795
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 23
The Private Finance Initiative: The New Opportunities for the Private Sector
Detailed post-Budget briefing on relaunched PFI. Speakers include six Government Ministers and Sir Christopher Bland, Chairman, Private Finance Panel. Case studies of completed PFI projects and examination of the 1000 projects now available under PFI.
Contact: City & Financial Conferences
Tel: 01276 856966 Fax: 01276 856566
LONDON

JANUARY 23
Stressed out of Business A Managing Best Practice conference
The total cost of sickness absence is £13 billion a year and stress related disorders the second highest cause. Learn how to be proactive in addressing stress in work. Hear practical advice and case studies from medical and personal development experts, Marks & Spencer, ICL and East Midlands Electricity.
Contact: Susan Morgan at the Industrial Society.
Tel 0171 839 4300, Fax 0171 839 3898
LONDON

JANUARY 23/24
Practical Dealing Course - Foreign Exchange
Training in Spot and Forward FX dealing for trainee/junior dealers and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windows-based dealing simulation). Training effected by practitioners with many years' market experience.
Contact: Lywood David International
Tel: UK 44 (0)1959 565820
Fax: UK 44 (0)1959 565821
LONDON

JANUARY 25 - 26
Introduction to Banking for Executive Secretaries and Support Staff
For secretaries, IT and other support staff, providing a sound appreciation of a bank's products, systems and procedures. • The Banking System - History, Practices, Structure, Regulation • Products and Services • Frequently used Banking and Financial Terms. 2 Days. £595.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 25/26
Introduction to Capital markets
Training in Capital markets activities for trainee/junior dealers, fund management, Corporate treasury personnel, associated settlements and systems development staff. A highly participative course with many practical exercises on bond and equity pricing and dealing calculations. Training is effected by practitioners with many years' market experience. £520 + VAT.
Contact: Lywood David International Ltd
Tel: UK 44 (0)1959 565820
Fax: UK 44 (0)1959 565821
LONDON

JANUARY 29 - 30
Technical Skills for Private Bankers
The fast growing private banking sector focuses on the provision of high quality, personalised banking services to wealthy high net worth individuals. This course introduces some of the facilities and services routinely expected by private banking clients. An invaluable introductory course for new entrants to private banks. Support staff who need an appreciation of the functions of a private bank would also gain from attending.
2 Days. £595
Contact: Fairplace
Tel. 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 29 - 31
Introduction to Fund Management
A course designed for new entrants to fund management who need to establish a sound basis of understanding of the role of the fund manager. • Institutions, Regulation • Investment Decision Making Process • Asset Allocation • Risk Evaluation, Hedging Techniques. 3 Days. £795
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 31
Partnering - Strategies and Realities in Winning Construction Business.
A practical workshop for all sectors of the Construction Industry with major presentations on the realities of partnering in construction by SmithKline Beecham and BAA. The strategic underpinning of modern procurement management will be examined by Neill Irwin of Partnership Sourcing and Professor Andrew Cox of the Birmingham University Business School.
CBI Conference Centre
Bookings: Henley Event Management
Tel: 01564 794128 (fax: 01564 795049)
LONDON

FEBRUARY 1 & 2
Derivatives Risk Management
This course grew out of Fairplace's successful conference programme which highlighted in 1994 many of the risks now spotlighted by regulators and auditors. This course is especially relevant to senior level staff who need to know more about the risks involved in volatile and highly complex markets. • Regulatory Requirements • Accounting for Derivatives, Controlling Risks. 2 Days. £595.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

FEBRUARY 1 & 2
Post - Acquisition Management Workshop
The workshop will be highly interactive, with an emphasis on discussion and feedback. The speakers, who are all specialists on the subject of post-acquisition management, will draw on their own experience, and provide practical information on how to successfully integrate newly acquired companies. Closely supervised groups sessions, interspersed with presentations, will enable delegates to share experiences and test assumptions about the post-acquisition process.
Contact Maxine Streeter, Acquisitions Monthly on Tel: 01892 537474
LONDON

FEBRUARY 1 & MARCH 14
Successful Turnaround Strategies
A unique seminar for non-executive directors, venture capitalists and institutional financiers providing an insight into this highly complex subject. The programme leads participants through the diverse issues involved in corporate turnarounds including ■ turnaround strategy ■ organisational issues ■ implementation; and ■ financial restructuring, with guest presentations from Howard Dyer, Hamleys & Ascot Holdings Plc and Professor Stuart Slatter, LBS.
Contact: Julie Hough, Touche Ross & Co.
Tel: 0171 303 6664 Fax: 0171 303 5927
LONDON

FEBRUARY 6-7
Developing The New IT Scorecard: How to Measure and Manage the Business Value of Information Technology
Delivering business value is a recognised priority for IT. The challenge lies in translating this goal into a measurable strategy. Packed with the latest thinking and practice, this is the only UK event where you will discover how to develop and implement a balanced IT scorecard.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

FEBRUARY 19
Publishing for Profit on the Internet
How can money be made publishing online? How does advertising work on the Net? What about security? UNICOM's popular one day seminar from the 'Global Information Access Series' has the latest from the publishing, advertising, IT and academic worlds. Eminent speakers illustrate the opportunities and pitfalls for online publishers.
t: 01895 256484, f: 01895 813 095 email: jorchard@unicom.demon.co.uk URL: http://www.demon.co.uk/unicom/
LONDON

FEBRUARY 20-21
Interactive Multimedia Marketing
Planning to incorporate new media into your marketing strategy? Interested in the implications of interactivity? From the grand scheme to the nitty-gritty, KPMG, Ogilvy & Mather, emap, The Economist, Unipalm-Pipex and others provide a comprehensive insight into an area which no business can afford to neglect. For more details of this UNICOM seminar:
t: 01895 256484, f: 01895 813 095 email: jorchard@unicom.demon.co.uk URL: http://www.demon.co.uk/unicom/
LONDON

FEBRUARY 22
The Law of the Internet
Commerce on the Internet: can you afford to ignore the risks, threats and legal implications? This seminar by UNICOM is co-organised by specialist IT law firm Bird & Bird, and chaired by Chris Reed of the QMW IT Law unit. It features expert presentations, and a debate between the ITC and OFTEL on regulating the Internet.
Contact UNICOM Seminars
Tel: 01895 256 484, Fax: 01895 813 095
LONDON

MARCH 1
M&A in the Insurance Industry
Changes in buyers' behaviour, competitive pressures and the regulatory climate, have produced significant new forces for change within all areas of the insurance industry. The old, protective certainties of business are fast disappearing, and in their place are a succession of new competitors, strategic alliances, substitute products and new distribution channels. There are significant acquisition and divestment opportunities to be seized in this state of flux, which this conference aims to address.
Contact Maxine Streeter, Acquisitions Monthly on Tel: 01892 537474
LONDON

MARCH 28
InterXchange 96: Strategic Investment Management Forum
Discuss with industry experts the issues that will shape the investment management business towards the next millennium. One intensive day examines: • Strategic drivers for business growth • Impact on UK managers of emerging European/global legislation • The integrated European investment market - opportunities & risks • Business impact of new technologies on industry structure & operations. Sponsored by: Royal Bank of Scotland, S.W.I.F.T., Citymax.
Contact: Catherine Wyville, ANR
Tel: 0181 947 2684 Fax: 0181 946 3195
CITY OF LONDON

INTERNATIONAL

JANUARY 31 - FEBRUARY 2
SADC Consultative Conference on Trade and Investment
Conference and workshops providing the private sector with the unique opportunity to learn about trade and investment prospects in the 12 Southern Africa countries and to influence and help plan the future trade and investment regime. Detailed discussions can be held with Ministers and senior Government officials, international institutions and leading Southern African private sector trade and investment partners. Companies may also participate in an associated exhibition.
Contact: Metra Sofres Ltd.
Tel: 44-181 688 5535 Fax: 44-181 688 4005
JOHANNESBURG

FEBRUARY 4 & 5
FT Commercial Aviation in the Asia-Pacific Region
Themes for this years conference will include: The potential and problems of new airline development in Asia; the future of air traffic rights in Asia; the development of national aircraft manufacturing industries in the region; and opportunities in aviation growth markets - China and India.
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171 873 3975/3969
SINGAPORE

FEBRUARY 5 - 7
1996 Cards International Convention
This major international industry event will update you on what's happening in the bank card and smart card business. You will hear from: heads of the card associations, Deutsche Bank, Cetelem, Save & Prosper, Banc One, Microsoft, IBM, Barclays, Capital One, Banksys, SIBS, Mondex, Interpay, Gemplus... and many more.
Contact: Lafferty Conferences
Tel: (+353 1) 6718022, Fax: (+353 1) 6713594
HOTEL OKURA, AMSTERDAM

FEBRUARY 22 & 23
The Financing of Innovative SMEs in the European Union
What roles should private and public agents play in adapting and developing financial instruments which would enhance technological innovation within SMEs? European symposium organised with the backing of the European Commission.
Contact: Mr. Gallez, EBN
Tel: +32 2 772 89 00 Fax: +32 2 772 95 74
BRUSSELS

BUSINESS EDUCATION

MEDIA FUTURES

Bonfire of the retail bankers

Tim Jackson

In Tom Wolfe's novel, *The Bonfire of the Vanities*, the investment banker who is the book's hero is asked by his daughter what his work is, exactly. As he casts around for an answer the little girl will understand, his cynical wife jumps in with a description as memorable as it is cruel.

Daddy's job, she says, is to cut up giant golden cakes and hand the slices round. As salary he receives the crumbs that fall between the slices. That description fits a different kind of banking more accurately: the old-fashioned business of retail banking. But suddenly, thanks to the Internet, retail banking has become exciting again.

The reason is that retail banks in the industrial world have undergone half a revolution. Automated teller machines allow customers to draw cash and check balances outside working hours, and allow banks to replace some of their clerks with shiny hardware. Yet half of the revolution is still to come: banks now have to replace that high-street hardware with software by getting customers to run their accounts directly from their PCs at home.

That makes banking quicker, more accurate and more convenient for the consumer and it cuts banks' costs still further.

Retail banks have so far made only shuffling steps towards this objective. In the US, only one customer in 1,000 banks by PC. The proportion is lower everywhere else. Yet the American Banking Association expects online banking to be offered by more than 40 per cent of banks with assets of more than $1bn (£600m) by 1997, compared to the 11 per cent who offered it earlier this year. One prediction sees online banking as a $5bn business by 2000.

Banks cannot turn these hopes into reality alone. For all their faults, the makers of software packages for office and home computers are better than banks at designing interfaces that inexperienced customers will need to bank from their PCs.

Last spring, people would have tipped Microsoft as the company likely to emerge as leader. The Seattle-based software house controlled most of the world's desktop computers, thanks to its Windows system; it had also made what seemed an unrefusable offer of $2bn to the shareholders of Intuit, the leading maker of personal-finance software.

But the cup slipped before it reached Bill Gates's lip. Backed by most of America's software companies, the US Department of Justice made clear that it would oppose the acquisition. And after rattling his sabre, Gates gave up the idea.

He is now concentrating on raising Microsoft Money's 20 per cent market share. In one autumn promotion, Microsoft gave away 300,000 copies of the program over the Net, and the company has been aggressively wooing banks to offer PC-based services using it.

Intuit has not sat licking its wounds. Earlier this autumn, it launched the Quicken Financial Network, a site on the World Wide Web with one of the most impressive blends of software, support, information and marketing on the Net.

In October, it signed with 21 banks to offer PC banking using private networks and the Quicken software by which its installed base of 8m Americans keep track of personal finances. Last month, it announced a deal with America On Line to provide the service's 3m customers with online banking in the first half of 1996.

And computer shops are now stocking a new 1996 version of Quicken which includes a wonderful twist. Customers who use the package can get near-instant access to the Quicken Financial Network via the Internet, even if they do not have an Internet account. By simply clicking a button, 90 per cent of Americans can be connected via their PC's modem to a local access number operated by an Internet provider, giving unlimited free online access to Quicken materials on the Net.

By the agreement, users get a customised Netscape browser – the Navigator Intuit Edition. Netscape and Concentric, the Internet company providing the telecoms infrastructure, will benefit if customers choose to pay extra for access to the full Internet. As more than 90 per cent of owners of the latest Quicken product have modems but only 2 per cent have Internet access, that deal makes sense for all.

Last week, the company announced its plans to launch full banking over the Internet during the second half of next year, giving the banks which sign up the choice of how to brand, to price and to market the service.

It is easy to see why banks should be suspicious. The number of banking transactions is unlikely to rise, so online banking will force banks to shrink their existing infrastructure and share their margins with leaner and better-managed firms like Intuit. That may explain why the company has no banking partner in the UK.

Yet the momentum behind online banking is considerable. Starting in the US, banks will be tempted into partnerships with Intuit merely because they know their competitors will join up, too.

These developments make a strong company stronger. They offer Scott Cook, the company's chairman, the chance to be a Sherman McCoy – to pick up golden crumbs in the form of a commission for Intuit on every banking transaction that takes place. And they give Bill Gates a reason to look wistfully at the deal he was unable to complete earlier this year. No wonder Intuit's share price has risen from $45 to $85 since October.

● *Tim Jackson can be reached at Tim.Jackson@pobox.com*

Embryo university or anorak academy?

Martin Mulligan pays a visit to a visionary in Bath

A spectre is haunting the campus – the spectre of electronic education. Central China's Television University already relays lectures to 2m Chinese students across the nation. A Colorado-based cable television network dedicated to remote tuitioo – Mind Extension University – began transmitting last spring to Taiwan and Thailand. And Jewisb boys in isolated communities worldwide have since June been able to take their Bar Mitzvah lessons over the Internet.

Something significant is happening. But what? Englishman Keith Hudsoo, wbo wrote *Introducing CAL – A Practical Guide to Writing Computer-assisted Leorning Programs* and is at work on another book, *Recreating The Social Economy*, believes be has a better idea than most.

Hudson is a former industrial chemist who worked for Massey Ferguson for 20 years, and is the founder of a training organisation for unemployed youngsters in Coventry. He also runs a small architectural practice from his bome.

He resembles a white-haired Abraham Lincoln, an impression reinforced by his love of debate and intense conversation between pipes. His study in the cheerfully cluttered warren of an idiosyncratic three-storey Georgian bouse in Bath, in western England, is littered with texts of all decriptions – philosophy, sociology, physics and music.

The study is the building's former ice room, designed in 1816 when the house was built. Hudson says that 1816 was known as the year without a summer: Tambora, a volcano in the South Seas, erupted that year and caused a global darkening. "One or two cubic miles of mountainside went up in the air. The effect on sunshine and crops must have been tremendous," be says, beaming.

His own Interoet project may have a comparable effect on traditional university teacbing. What Hudsoo has done, with the unpaid assistance of nearly 30 academics worldwide, is to construct a shell or template for the first Internet university, called Interskills, which declares itself to be "a university of future skills".

Just now the shell contains about 200 articles or "intellectual soundbites" from various thinkers and polemicists. Its practical content is zero. But Hudson is sanguine: "We wouldn't expect anything of a practical nature for two or three years".

The Interskills manifesto is still more audacious – even quietly arrogant. "Interskills," it says, "is not intending to compete with orthodox schools and universities. By and large, the latter concern the technologies and skills of the agricultural and industrial revolutions and are well placed to service the existing formal economy. Interskills is much more concerned with the skills that will be required in the new communications era that is rapidly taking shape around us."

A wit has compared the Net to a mountain of books in a room as big as the globe

Is Hudson saying that universities and schools as we know them have been superseded, and that even the economic structures they serve are living on borrowed time? He is.

"It's all going to take 20 or 30 years, bot the Internet is going forward with the speed of an express train. Once the ITTs and Microsofts and BTs get into this, the universities will really have to work [to survive]. I can't see them in anything like their present form in 20 years."

What are the implications for society of the Net and projects like Interskills? "The effect in the long run will be to recreate the local social economy – which can re-absorb the jobless. New local communities will emerge."

Hudson cites the example of local exchange and trading schemes, known as Lets groups, which originated in Britain and are now found worldwide. Their founder, Michael Linton, is now active in British Columbia. Groups typically consist of one computer-skilled organiser and several unemployed semi-skilled people. These individuals form a skill-swapping micro-society. Instead of charging for their work, they do jobs for each other and keep a tally of skill credits and debits.

"Lets are a new way forward, but there are problems", says Hudson. "There are about 300 [in Britain]. But the problem with Lets is one of low activity rates. The unemployed on average put only 10 per cent of their time into it." As a result, some people accumulate more credits than they can spend. "And the founders of Lets don't want to be seen to be encouraging a black economy. On average, Lets schemes last about six months. They need to be integrated with the Internet. Just now, the computer is only a book-keeping device for Lets."

Hudson sees the Internet epoch as leading, ironically, to a return to the European economic model of the early middle ages. "What started to happen in the middle ages was that people – particularly doctors and lawyers – started to monetise. The process has been accelerating ever since."

Monetise? "Yes, the various professions – priesthoods, doctors, lawyers – began to mystify and restrict their professions, and to ask for money, for coin of the realm, and not to swap services as they used to. The industrial revolution accelerated that. Then the government got into the act in the same way that all the professions have. Now there's a ratchet effect, as each recession puts more people out of work. Lets and other schemes like it are the beginning of a way to find our way back."

David Howells

Utopia's architect: Keith Hudson sees the Internet epoch resulting in a return to the European economic model of the middle ages

Hudson's embryonic Internet university aligns itself with this trend. It divides into two classes the skills it offers: global and local. Examples of global skills might be how to compose a Web page in *html* language, or mastering the principles of computer-assisted learning. Local skills, on the other hand, could be basic trades such as plumbing, or growing organic vegetables, or even alternative methods of generating electricity.

It sounds like a dizzying vista of social transformatioo. Bnt some would say that Hudson's Utopia is fatally flawed. For a decade, there has been talk of computers putting academics out of business, just as it has been claimed computers were about to usher in mass telecommuting and the paperless office. So why should anyone take Hudson's predictions seriously?

His reply is that the new technology is a Juggernaut that cannot be stopped. "The Internet is growing quickly and getting cheaper . . . PCs are becoming cheaper and doubling in power every year. Data transfer is faster."

And then there is money. "Once e-money arrives, the Internet will be essential to the world of the future. As an artefact, the Internet is just about optional right now. But within two years [of e-money], it would be like trying to scrap the car. We are increasingly dependent on it." Interskills, in short, anticipates a world in which the Net is all-pervasive.

A wit has compared the Net to a mountain of books heaped in the centre of a room as big as the globe. How can that masquerade as a revolution in teaching? "The crying need just now on the Internet is for indexes," says Hudson. "Yes, now it's a mess, but that pile of books will be arranged very neatly on shelves within five years."

Hudson is keen to distinguish between computer-assisted learning (CAL) and edutainment – mostly available on CD-Rom – which offers instant gratification: breadth without depth. Learning by computer seems to be too much fun for the learning to stick.

As a former CAL program writer, Hudson impatiently distinguishes CAL from edutainment. "CAL is hard work. One lesson of the early phase [of CAL, in the mid-1960s and early 1970s] was that only the highly motivated, better-quality students made progress. CAL is still hard work . . . you can only learn by practising the skill involved. Contrast the CD-Roms of Microsoft and Dorling Kindersley. They cannot go much further."

Some disciplines, he says, are more at risk than others. For example, maths and all the sciences can be taught very readily by CAL. It is not so obvious that the humanities can. Hudson believes that the Net spells the end of a teaching tradition stretching back to Athens in the fifth century BC. "The humanities are very threatened. That is a shame, because we need good scholarship in philosophy, history and even sociology. But I see these departments as much smaller – no longer as vacuum cleaner departments [enrolling] the least promising students – in the future".

Listening to Hudson, it is difficult not to be charmed by his computer evangelism. But bright students will not be leaping through the looking glass just yet.

The Interskills home page is at http://www.on-the-net.com/interskills

Shopping around the stratosphere

Some marketing aod media experts flinch warily from grandiose claims about electronic shopping. Yet progress is being made in unexpected ways.

For example, British Airways passengers relaxing at 36,000 ft will soon be able to buy items from top stores and then have them delivered to their destinatioos or homes.

BA is to bold trials of a new multi-chanoel entertainment system which will include video shopping.

Travellers watching a screen in the seat-back or arm-rest will be able to order and to pay for goods simply by swipiog cash or credit cards through a handset.

BA's *Shop the World* channel will feature goods from top London stores, including food bampers and silk underwear from Harrods, shawls and scarves from Liberty, clothes from Aquascotum, leather goods from Mulberry, jewellery from Links of Londoo and Ola Gorie – as well as Tibetan carpets, Irish linens, South American artefacts, crockery and toys.

Trials for the hardware of the £60m system supplied by BEAerospace of Florida are taking place on a BA Boeing 747.

They will be followed by software trials in English and in Cantonese next spring.

Eveotually, BA hopes to offer tbe service in 14 languages throughout its fleet.

Future shock grips Paris

By Emma Tucker in Brussels

Attention focused last week on the unquiet streets of Paris, as public sector unions acted in defence of old-fashioned economic principles.

In Stockholm, the Swedish capital, executives, officials, and public authorities were meanwhile exchanging forward-looking ideas about Europe's information revolution.

They wanted to show that there is more to be gained by embracing the information society than by retreating from it. Most of the 60 projects represented were local in character, promoting activities in cities and regions by adapting information technology services to local requirements. The Eukiosks project – promoted by Brescia, Hanover, Linz, Stockholm and Thessaloniki – provides city kiosks at which people may look up useful information.

Such projects rely on liberalisation of telecoms networks, competition within public services, and lowering barriers to free circulation of services and information.

Resistance to change, says Martin Bangemann, European Commissioner for information technology, stems from the fact that Europe lacks America's "can do" mentality.

Helmut Schmidt von Sydow, a member of his cabinet, emphasised that the Commission's message is threefold. First, the information society will create jobs and free us from boring or dangerous ones. Second, it will not usher in a "sterile" society. "Citizens everywhere will have access to information, current events, museums, galleries, and libraries," von Sydow said.

Third, it need not mean loss of cultural identity: national and regional culture will not be submerged in a Hollywood dream factory nor be swamped by the English language. It creates instead "the opportunity for local culture and language to flourish."

Such messages are unlikely to impress protesting public sector unions. But while citizens may be able to throw out governments that chip away their privileges, there is little they can do to stop technology, and with it social change, evolving. Telecoms liberalisation and the single market are only two elements of collective European policy that have rendered that a near impossibility.

Deck the halls with e-mail

By Victoria Griffith
In Boston

No one with e-mail should be surprised to find a new type of holiday greeting waiting when they log on. At least two online services – America On Line and Prodigy – have launched electronic Christmas and Hanukkah cards.

The America On Line version allows users to customise their cards with digital photographs of themselves. The pictures are framed within a coloured design, with "Happy Holidays" or "Merry Christmas" scrawled at the top.

Prodigy has taken a more traditional approach. With American Greetings as the content provider, Prodigy's cards look a lot like the ones people buy in stores. And high technology has not improved the jokes. One card features cartoon-like images of the three kings with Frankenstein. One of them is saying: "You idiot, I said go and get frankincense."

The poetry is also as refreshingly bad as ever. *Wishing you o year that's filled with lots of happy things, beginning with the special joy that Christmas always brings*, says one. Recipients may be entertained, though, by simplified versions of tunes like *Deck the Halls* and *We wish you o Merry Christmas* chiming from their computer speakers.

Nor will online greetings end after December 25: New Year cards featuring ticking clocks and balloons are available.

"This is a great way to say Merry Christmas and Happy New Year to pals you've made online," claims Beth Cardarelli, marketing manager for electronic commerce on Prodigy. This year, Prodigy users can send greetings only to other Prodigy subscribers, though Cardarelli says the company will flash e-mail through the Internet next year.

However, America On Line's cards can be sent through the Net. The cards are free, though users pay for the online time they use to choose and send their greetings.

Electronic Christmas cards offer little threat to steam-age greeting card companies just now, nor to retailers or the postal service. Beth Cardarelli says Prodigy expects less than 100,000 to he sent this season. But the prospect is that many new-agers may dispense with paper versions altogether. As America On Line says in one of its promotional quips: "You doo't even need a stamp."

Cyber sightings

● Bosnia Link (*www.dtic.mil/bosnia*) is the US Defence Department's official site giving details of the search for peace in the former Yugoslavia. As well as maps of the region following the recent Dayton agreement, there's lots of good background information as well as speech texts, Pentagoo press releases and links to Nato and state department material.

Meanwhile, AmeriCares (*www.urbanspace.com*) is organising a silent auctioo in support of the Bosnian relief airlift.

This nice site also has links to other charities and a holiday schedule of events in Manhattan's World Financial Center.

● China Web (*www.comnez.com*) is a well laid-out, easily navigable site providing investment data, Shanghai city information, stock prices, travel arrangements and a searchable directory of key figures in commerce, industry and government. Very smart.

● Rosalind Resnick's Interactive Publishing Alert Directory of Online Publications 1996 is now available, ranking the top five electronic publications of this year and reviewing lots of others. Excerpts and details are at *www.netcreations.com/ipa/tester*

● Encyclopedia Brittanica (*www.eb.com*) is offeriog details of subscriptions and free trials for its new searchable Brittanica Online service – a year's membership for a home user is $150 plus $25 registration – while the site also features a nice "Born on This Day" biographical feature.

● sea.net (*www.seanet.co.uk*) is a communications medium for the international shipping community and – on a membership basis – will provide an up to date newsboard covering developments in the sector and allow individuals on its network to connect with each other securely for less than the cost of an international fax. It also has a classified adverts section and an industry library.

● International Company Services Group, an Isle of Man-based specialist in offshore company formations, has set up a site (*www.icsl.com*) with details of its services including second citizenships and passports of convenience.

● For Latin scholars in the UK vehicle contract hire sector – talk about niche marketing – Calleva Contracts have a nice site (*www.bluewave.co.uk/calleva/*) which features an individual car tax calculator, of the sort that featured recently as part of Vauxhall's campaign for its new Vectra.

● During last week's Grand Slam Tennis Cup, Computer maker Compaq put up Baseline – an instant information site (*www.grandslam.eunet.de*) which, despite the huge, slow picture on the homepage, is full of good material on the leading tennis stars and statistics about the pro tour.

● Easily one of the best of the current plethora of Net magazines, *Internet* magazine's site (*www.emap.com/internet*) has a searchable guide to new UK Web sites and a diary of upcoming events and conferences. Worth bookmarking.

● In Focus Systems, the Dutch multimedia projection equipment company, has put up a site (*www.infs.com*) which features a Presenter's Resource Centre with downloadable free software and information on creating effective business presentations. It also has a What's Hot section featuring news from the presentation industry.

● You can e-mail Santa with your heart's desire this Christmas (although I'm sceptical, since he said he couldn't *guarantee* that Spurs would beat Manchester United) through the Concentric Network (*santa@concentric.net*), or you can vote for the "Coolest Toy of 1995" through their site (*www.concentric.net/santa*). Home Page for the Holidays (*www.merry-christmas.com*) is in a similar vein, but with nicer graphics. Sponsored by Toys R Us, as well as its e-Santa it has a colouring book feature and seasonal movie reviews. Ho! Ho! Ho!

Stephen McGookin
steve@mcgook.demon.co.uk
Cybersightings will return in the New Year

NetHold goes digital.

NetHold, the international Pay TV group, is first to go digital in Europe and Africa.

First in Europe. In November this year Telepiù* launched its initial digital platform on the Eutelsat IIF1 satellite. The distribution of the Telepiù bouquet will continue on Eutelsat's Hot Bird II in the autumn of 1996. NetHold will follow this with the launch of its digital platforms in the Benelux and in Scandinavia soon on Astra.

First in Africa. In October this year Multichoice** launched its digital bouquet of 16 channels to Southern Africa on the PAS-4 satellite.

NetHold has delivered on its promises to go digital on satellite, on air and on time.

The NetHold digital network is up and running. NetHold now operates in countries in Europe, the Middle East and Africa, and serves over 2.5 million premium subscribers.

NETHOLD

Il Futuro Adesso–The Future Has Arrived

*NetHold 32,5% shareholding
**100% owned by NetHold

BUSINESS TRAVEL

Macao airport opens

Macao opened its new $1.1bn international airport on Friday with the aim of competing with Hong Kong as a gateway to southern China. The opening coincided with the start of virtually direct flights between Taiwan and China, political rivals which are using Macao to overcome Taiwan's formal ban on travel links with the mainland.

The deal enables passengers to make the journey with just a brief stopover in Macao and a change of flight numbers, and ends Hong Kong's domination of Taiwan-China travel. Meanwhile both Qantas and Ansett of Australia are considering Macao as their Asian hub if Hong Kong and Australia fail to resolve a dispute over air service agreements.

Macao has signed air services agreements with 24 countries, six of whose airlines are already using the airport. Hong Kong officials are not worried about the competition, as they, too, have negotiated the same agreement as Macao to fly the Taiwan-China route. That pact still awaits ratification by the UK and China.

New route for Virgin

Virgin Atlantic is to start its long-awaited service from London's Heathrow to Johannesburg in July next year, **Michael Skapinker writes.** Flights will begin three days a week, building up to daily departures at the end of next year.

Virgin has wanted to fly to South Africa for some time, but was unable to obtain Heathrow departure and arrival slots which would allow it to arrive in London and Johannesburg in the early morning rather than later in the day. Early-morning arrivals make the service more attractive to business travellers. Richard Branson, Virgin chairman, said the airline now had the slots it wanted.

Fears in west Africa

The deaths of some 80 people in the crash of a Cameroon airliner has focused attention on the risks of flying in west Africa. Nigerian aviation minister Nelkak Ikhoi warns: "I don't want to scare people but I have to say this: some of the aircraft these airlines are operating are not airworthy. They are flying coffins."

Washington, citing security worries, has banned any flights from the US from landing at Nigerian airports, or vice versa.

The Nigerian minister was referring to private African airlines that have mushroomed from Nigeria to Sierra Leone, many using cheap aircraft. And the multi-national airline Air Afrique now has financial problems, raising fears for the most reliable service in the region.

● Another region that causes anxiety among air travellers is the former Soviet Union, where the crash of an airliner in the Russian far east and fatal accidents involving two aircraft in Azerbaijan have reignited worries.

Last year 302 people died in crashes in Russia, up from 222 the previous year. The International Airline Passengers Association has warned members not to fly in or over the former Soviet Union.

Weather in the leading business centres

Mon | Tue | Wed | Thur | Fri

Temperatures in Celsius

The case of the disappearing diamonds

Last week the Duchess of York became one of the millions of travellers who have had their luggage stolen. **Michael Skapinker** does not want to be another bereft passenger

Waiting to take off from London's Heathrow airport some years ago, we were told to leave the aircraft and identify our luggage, which was now strewn on the ground.

A passenger who had checked in earlier had not boarded our Olympic Airways flight to Athens, and airline security staff wanted to remove his luggage. Passengers darted around the tarmac, picking out their suitcases. Everyone could see their bags, it seemed, except us.

Never mind, we thought: when all the passengers had picked up their suitcases, ours would be there, lying on its own.

It was not. Our luggage had not been lost en route. It had not even made it on to the aircraft. There was nothing to do except set off on holiday knowing that our clothes would not be joining us for a while – two days, as it proved.

Last week it was the turn of the Duchess of York to rummage desperately through her luggage in search of missing possessions – £250,000 worth of jewellery, stolen from her suitcase in the hold of a British Airways aircraft at New York's JFK airport.

The first response to losing luggage is disbelief. It must be here somewhere, we tell ourselves. The second is anger at the unfairness of it all. Everyone else's luggage seems to have arrived safely; only ours is missing.

But it is not just ours, of course. Airlines say they have improved their baggage handling and tracking, but everyone seems to have a story of lost or stolen luggage to tell. And the police and airlines are not as vigorous in pursuing these cases as they were in the matter of the duchess's jewels.

When the FBI turned up at the home of the alleged thief of the duchess's jewels, so sombre was their demeanour that his father feared they had come to tell him his son was dead. When they started to explain what trouble his son was in, the father's next thought was that he must have stolen the jewels from someone in the Mafia.

Airlines do not always take theft so seriously. One London-based dancer and choreographer flew on KLM to Amsterdam earlier this year on a family visit. Her mother, waiting to meet her at Schiphol airport, saw another passenger walk through immigration pushing a trolley containing a suitcase that looked very much like her daughter's. It was her daughter's. By the time they realised this, the passenger had disappeared. KLM and the Dutch police showed some interest, but not much. The airline paid compensation far lower than the value of the goods stolen.

While not all stolen luggage is as valuable as the duchess's jewels, losing it can be more inconvenient. When a colleague flew from London to Acapulco via New York and Mexico City a few years ago, the airline managed to lose her luggage en route. Eventually it turned up – without her make-up or her underwear.

I first lost confidence in the idea of checking luggage into the hold in the early 1980s. I was flying from Athens to Ankara, with a stopover in Istanbul, where I had to switch airlines. I checked my luggage all the way through. (A contact to whom I recently told this story said: "What you've told me so far invalidates your life insurance.") Wandering around Istanbul airport waiting for my departure to Ankara, I chanced across my suitcase, lying unattended on the floor.

All travel advisers tell you to carry your luggage on to the aircraft with you. But most airlines allow passengers to take only one piece of hand luggage and a small bag into the cabin.

A growing number of luggage louts – usually male and often in suit and tie – seem to manage to get on to the aircraft with a lot more than this, filling the overhead lockers with a fair-sized suitcase each, as well as computers and various other goods.

The rest of us have no choice but to wave a tremulous farewell to our suitcases as they roll down the conveyor belt at the check-in desk. But unlike the duchess, or more accurately the aide to whom she entrusted her luggage, most of us have learnt by now not to put our most cherished valuables in the hold.

James Kallstrom, head of the FBI's office in New York, proudly announced after finding the duchess's necklace and bracelet: "We have recovered the crown jewels."

We all have our equivalents of the crown jewels, which experienced travellers never let out of their sight. Mine is the notebook I take with me on FT assignments. Virtually everything I travel with is replaceable except my notebook. Returning from a reporting trip without it is a recurrent nightmare. I would no more check my notebook into the hold than climb in there myself.

Those who do lose their luggage are not completely without rights, according to the UK's Consumers' Association. Under the Warsaw Convention, airlines are strictly liable if they lose your luggage, which means you do not have to prove they were negligent. But your rights to compensation are on the ungenerous side. You are entitled to £13.63 for every kilogram of luggage lost, so that if the usual baggage allowance of 20kg is lost you can claim £272.60.

Rolling stones: the duchess in Washington last week wearing the bracelet that was later stolen from her suitcase *Photograph: Reuter*

The association says that if your luggage is delayed, you can claim compensation for essential items you have had to buy. You should make a note of your purchases and keep receipts.

The association says that if your luggage is delayed for between 12 hours and 24 hours, you could reasonably spend up to £75. If it is delayed for longer, you should rely on common sense in deciding how much to spend and reclaim, buying only what you genuinely and reasonably need.

BA says it pays no more than the compensation specified in the Warsaw Convention. "But obviously the airline can make ex gratia payments above and beyond that level in special circumstances," the airline says. However, it says it will accept no liability for fragile or perishable items, valuable documents, silverware or jewellery, if checked into the hold.

No liability for jewellery? So if the FBI had not recovered the duchess's jewels, BA would have told her that, sorry, there was nothing it could do? "We can't deal in hypotheticals," the BA man deadpanned.

It is not hypothetical, though, is it? Five of the duchess's precious stones are still missing from the jewellery. "Currently missing," said the BA man. "The FBI are very confident they'll find them."

Passengers travelling with valuables can do more to protect themselves. Nick Benson, an aviation solicitor with the London firm of Rowe & Maw, says passengers can tell the airline in advance that they are going to entrust valuable items to it and tell the carrier how much they are worth.

If the airline loses the items, the passenger can recover the declared sum, unless this turns out to be more than the valuables are worth.

In a UK case earlier this year, Antwerp United Diamonds v Air Europe, the Court of Appeal held that if lost valuables turned out to be worth more than the owner had declared, the airline would have to pay the higher amount, if it had been negligent.

Retribution against BA, however, appears far from the relieved Duchess of York's mind. Her thanks to the airline provide an intriguing footnote to this episode.

In the same week as the theft took place, the Princess of Wales was photographed wearing a sweatshirt extolling the virtues of Virgin Atlantic, BA's fierce rival. This was a considerable PR coup for Virgin, and it is difficult to imagine what BA could come up with to counter it, apart, perhaps, from the endorsement of the Queen Mother.

Instead, it has had to make do with the gratitude of the Duchess of York. It is a tough business trying to remain the world's favourite airline.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Bowthorpe 3p
Brit Dredging 2.6p
Chevron $0.50
Cobham 3.05p
Eksportfinans 7⅛% Nts '96 $383.75
Elect Power Dev 8⅛% Gtd Nts '99 $81.25
Exxon $0.75
Fuji Bank Fin Perp Sb FRN $16872.92
Goldsmiths 1.2p
Grace (WR) $0.125
Halifax Bldg Scty 7½% Nts '97 £375.0
Harrisons & Crosfield 3.6p
Honda Motor Y7.0
Hydro-Quebec 6½% Db Ser IK '98 £65.0
Independent Parts 2p
JJB Sports 2.75p
Kubota FRN '97 Y25830.0
Lilly (Eli) $0.685
Mobil $0.925
Rockwell Int $0.29
RTZ 10.5p
Sabre Int (No 2) Ser N Var Nts '96 Y24804.0
Do Ser Q Var Rate Nts '96 Y29859.0
Smith & Nephew 2.16p
Sumitomo Bank Cap Mkts Gtd Fltg/Fxd Rate Nts '03 $32323.96
Sumitomo Heavy Inds FRN '98 Y27727.0
Sumitomo Realty 3.05% Nts '97 Y305000.0
Do 3.55% Nts '99 Y355000.0
Taisei 7.1% Bd '98 Y710000.0
Do 7.1% Bd '99 Y710000.0
Treasury Fltg Rate '99 £1.6276
UK 7¼% Bd '02 $72.50
Wescol 0.5p

■ **TOMORROW**
Autobacs Seven Y13.0
Eaton Fin 12½% Un Ln '14 £6.25
Exchequer 12% 13/17 £6.0
Kleinwort Devlopment Fd 8.25p
Limited Inc $0.10
Melrose Energy 0.32p
Monsanto $0.69
Royal Insnce 7¼% Cv Bd '07 £181.25
Sapporo Brew FRN '97 Y205381.0
Tenneco $0.40
Walker Greenbank 1.3p
Wickes 0.6p

■ **WEDNESDAY DECEMBER 13**
British Gas 6.4p
CRT 2.9p
CSR A$0.14
Dorling Kindersley 2.6p
Hepworth 5.5p
Lloyds Bank Prim cap Und FRN $317.71
NT & T Y2500.0

■ **THURSDAY DECEMBER 14**
Bankamerica $0.46
Chase Manhattan FRN '09 $151.67
Commerzbank O'seas Fin Gtd FRN '98 $4098.44
Conversion 9½% 2002 £4.75
DSL Bank FRN '98 $4098.44
Ewart 0.6p
Finsbury Tst 1.6p
Do A N/Vtg 1.6p
Hewden-Stuart 0.75p
Hongkong & Shanghai Banking Prim Cap Und FRN (Ser 2) $77.41
Johnston 4p
Lloyds Bank 11¾% Sd Bd '98 £1137.50
Do Sb FRN 2004 £20.26
Lloyds Chemists 7.3p
MCIT 9p
Do S 1.55p
Do Units 1.55p
Manpower $0.07
Trinity Care 1.5p

■ **FRIDAY DECEMBER 15**
AECI 5½% Gross Pf R0.055
Abbey Natl Treas 10⅝% Bd '98 £531.25
Anglo Am Gold R6.40
Ann Street Brewery 5p
Atlantic Richfield $1.375
Bank of Scotland 2.45p
Barrick Gold $0.06
Blenheim 6.4% Pf 3.2p
Brunswick $0.125
CSX $0.52
Caisse Nat des Auto 16% Gtd Ln '06 £400.0
Canadian Gen Invs $0.225
Capitol Grp 1.33p
Chamberlin & Hill 2.5p
Dana $0.23
DFS Furniture 5.65p
Dover Corp $0.15
East Rand Gold R0.65
English China Clays 5.5p
Fleming Chinese Inv Tst 0.5p
Forte FRN '99 £1644.93
Free State Cons R0.10
Gerrard & National 6p
Guranteed Export Fin 7¼% Nts '98 £725.0
Halifax Bldg Scty 8⅜% Nts '99 £83.75
Hemlo Gold Mines C$0.10
Hunting 4p
Intereurope Technology 5.8p
Investors Cap Tst Inc Annuity R/Vtg 1.325p
Do Units 1.325p
Do 5¼% Pf £1.8375p
Kajima Y4.50
Louisiana Land & Expln $0.06
Midland Bank Non-Cm $ Pf Ser A1 $0.355
Do A2 $0.08875
Do 8⅝% Nts Dec '04 $6468.75
Do Und FRN (Ser 3) $310.08
NEC 5.6% Bd 2000 Y560000.0
Nat West Bank 11½% Und Nts £115.0
Northchart Invs Z$0.16
Pacer Systems $0.03
Pennzoil $0.25
Pressac 2.6p
Royal Bank Can Fltg Rate Db 2085 $153.25
Royal Bank Scotland Und FRN $314.53
St Lawrence & Ottowa Rail 4% Stlg 1st Mtg Bd $1.0
Sanwa Australia Gtd Fltg/Fxd Rate Nts '04 $1611.46
Sapporo Brew FRN '99 Y7244.0
Sara Lee UK 9.43% Gtd Bd '04 £23575.0
Securities Tst of Scotland 1.08p
Sotheby's Class A Lim/Vtg $0.0[illegible]
South Africa (Rep of) 9⅝% Nts Dec '99 $48.125
Sumitomo Realty 3.8% Nts 200[illegible] Y380000.0
Surrey Free Inns 1.25p
TRW $0.55
Tanjong M$0.072
Thomson $0.1375
Time Warner $0.09
Toyo Construction Gtd FRN '98 $31897.92
Trinova $0.18
Tudor 0.25p
UK Safety 0.8p
Wagon Indl 7.25p Cv Pf 3.625p
Wetherspoon (JD) 5.25p
Wyndeham Press 1.6p
Young & Co's Brew A 7.35p
Do N/Vtg 7.35p

■ **SATURDAY DECEMBER 16**
Scotland Int Fin 14¼% Gtd Flt/Fxd Rate Nts '98 $30.90

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
[illegible]

CHARITY FUND INVESTMENT

In the shadow of the lottery

UK charities are having to be more innovative and efficient in their search for income, writes Mark Suzman

In the four centuries since the basic legal concepts of charity were first instituted in Britain the sector has rarely had such an eventful year. Not only are charities being forced to grapple with a series of long overdue changes in their organisation, management, accounting methods and investment strategies, but the advent of the National Lottery has brought with it a set of challenges and opportunities with which the sector is still struggling to come to terms.

Rarely, if ever, has a £13bn industry seen a start-up company become market leader in the space of a year. But that is exactly what has happened with the National Lottery Charities Board, which is well on its way to become the largest single charitable donor in the UK, budgeting on having around £250m to distribute every year.

As would be the case for any sector of the economy forced to confront such a powerful new entrant, that growth has come at a price: fewer customers for competitors. Even before the lottery began, charities were complaining that international experience showed that donations would suffer because people would regard the lottery as an alternative to charitable giving rather than a supplement. Since its inception the complaints have followed thick and fast – and not just over lost revenue.

The NLCB has been criticised for being too slow and cumbersome in giving grants and for ignoring worthy established charities, particularly in the medical field, while being overgenerous to small nnes. With over 180,000 registered charities in the country, and more than 15,000 individual applications for grants already received by the NLCB, the problems become self-evident.

And while there certainly have been some losers as a result of the lottery, early indications are that this has been largely restricted to those charities which are particularly dependent on street donations. However the situation is far from clear-cut and several big charities, ranging from Oxfam to the Red Cross, have had record years.

A full picture will not be available until after the completion of a government-sponsored study into the long-term effects of the lottery, but some preliminary evidence will become available in April and May of next year when most charities announce their financial results.

Adding to charities' woes, despite heavy lobbying, in last month's budget the Chancellor once again declined to grant them any relief nver unrecoverable VAT nn non-business activities, estimated by the Charities Tax Reform group to cost them £350m a year.

Even worse, last month's cut in income tax will hurt the revenue of charities that operate net covenant schemes. These allow charities to reclaim from the Treasury some of the tax already paid by donors on their earnings. This means that annual reclaim of covenants will have fallen from 33.3 per cent to 31.5 per cent of the net sum given, causing substantial losses for many larger charities.

Exacerbating the problem, there has also been a fall in the number of legacies received, traditionally a large source of charitable income, as well as a slight drop in corporate giving. No-one is quite sure of the reason behind the falls, though a possible explanation for lower corporate giving is a diversion of corporate resources to inhouse community involvement schemes. Whatever the case, they have forced a radical rethink in methods of fundraising.

With all these pressures acting on it, the sector has been forced to try to increase efficiency and innovation. This has been most apparent in fundraising, where charities are increasingly seeking new methods to garner income.

Several of the big banks, for example, now issue affinity cards which allow customers to make a small donation to charity with each use, while Give as Yon Earn payroll schemes, which allow money to be taken directly off individual wages and sent to a designated charity, are gaining currency.

Other new schemes include a recently launched card from the Charities Aid Foundation, which works to increase resources available to charity. It can be used to channel charitable donations through the CAF, which then reclaims the basic tax rate, adds it to the balance in the account, and passes it on to the charity or charities designated by the card-holder.

There has also been much greater targeting of corporations through specific projects, such as cause-related marketing, whereby companies use their links with charities to raise their own profile while either paying a fee or raising money for the charity.

Another route increasingly taken by charities is to seek new funding directly from the government rather than the private sector. Many charities are now competing directly with private companies for government contracts to provide social services, such as caring for the elderly.

Here again, however, the lottery has bared its fangs: under EU regulations lottery money counts as general government revenue and charities may not claim cash for projects already receiving lottery money if that leads to over 50 per cent of the cost of the project being paid from government.

Nevertheless, the very fact that charities can even contemplate seeking more than half the financing for a project or service from the state demonstrates the massive shift under way, and many charities now regard government money as a central source of income. Barnardos, for example, last year received £33.6m in grants from local and national government, comprising 46 per cent of its total income.

With this increasingly businesslike regimen has come an increasingly commercial approach to management within charities – and closer scrutiny of trustee duties, accountability and overall management. Testifying to this, in October, the Charity Commission, the main regulatory body for charities, published a new set of accounting rules, to take effect next year, designed to force charities to monitor income more closely.

At the same time, following legislation in 1992 and 1993, charities now have the freedom to undertake some political activities, such as publicising an MP's voting record on a particular topic, which were previously illegal.

More importantly, the tight strictures determining how a charity should invest its assets have been relaxed. Under the Trustee Investments Act of 1961, charities were required to keep 50 per cent of total assets in government bonds, thus forcing them to lose out on the long boom in equities.

Now, this has been adjusted to allow charities to put up to 75 per cent of their income into equities if they wish, and the Treasury has announced a fundamental review of the Act which may lead to its demise next year.

In the meantime, investment has continued to grow, particularly within Common Investment Funds, unit trusts specially designed for the charity sector. These provide an avenue to equity investment which combines relatively low management costs with tax-exempt gross earnings.

Nevertheless, the Charity Commission is still reluctant to jettison all controls, particularly in the wake of the damage caused to the Baring Foundation, one of the largest charitable donors in Britain, following tha collapse nt Barings Bank earlier this year.

But while it may be moving slowly, it is clear that the restructuring of the charity sector is still far from over and much thought is going into how it should operate, and be regulated, in the future. Earlier this year, Demos, the think tank, published an influential study calling for a complete revision of the definition of charities and their replacement by a set of legal principles.

The National Council for Voluntary Organisations has now set up a commission to look at these issues and various other anomalies and problems with the existing system. It is currently taking evidence from a wide variety of sources and is expected to report its findings early next year.

But even if such far-reaching recommendations find little immediate favour, assimilating the changes of the past few years and coping with an increasingly competitive atmosphere are likely to prove more than enough to keep charities, and their fund managers, fully occupied for the foreseeable future.

■ The future of charities

Call for new legal framework

Demos, the independent think tank, recommends a wide range of changes to charities

In July this year, just when many charities were celebrating the tenth anniversary of Live Aid, the phenomenally successful fundraising exercise to raise money for the Ethiopian famine, a controversial new report into the state of modern charity was released.

Published by Demos, the independent think tank, following an intensive 18-month investigation, the report argued that voluntary organisations had developed impressively over the past decade and were expanding their involvement in a wide range of areas.

However, it warned they were being unnecessarily held back by an outdated legal and fiscal framework.

"We first decided to look at the state of charities because we were intrigued that, despite all the innovation and change taking place, overall funding in the sector as a whole was stagnant, and we wanted to discover why," says Geoff Mulgan, Demos director and one of the authors of the report.

"In the first part of the decade, many of the charities seemed terribly complacent. We feared that, given their higher public profile, they would soon start running into problems of greater public scrutiny and accountability. That has now started to happen, and charities are having to think hard about their future."

The final report recommended a wide range of major changes to the sector. These included:

■ The revamping of the existing definition of charities (which currently covers a wide range of organisations – from private schools to the Church, but does not include campaigning organisations such as Greenpeace or Amnesty International).

The report recommends that the current system should be replaced by a simplified set of core legal principles from which organisations could choose.

This would, for example, allow some board members to receive payment for their services or permit innovative social entrepreneurs to operate without a board of trustees.

■ The establishment of new models of public funding for charities and the implementation of new benchmarks for evaluating the success or failure of charitable activities;

■ The allocation of tax benefits to activities broadly defined as "public goods" rather than, as at present, merely recognising a specific form of organisation;

■ The formation of new institutions, including a charity bank, and support for charitable investments, loans, bonds and guarantees which would improve charities' fund-raising ability and provide new outlets for charitable donations;

■ The removal of all remaining restrictions on free speech on charities (which are

> Charities, which were once complacent, are having to think hard about their future

currently not permitted to campaign openly on political issues);

■ The widening and formalisation of government links with charities. This would include a broad range of new contacts and include the allocation of a fixed proportion of risk funding for the charitable sector (the report recommends 0.5 per cent of total public funding) to encourage experiment and innovation.

Demos insists that implementing these moves would bring about wide-ranging changes not only within charities themselves but in public attitudes towards and involvement in voluntary work. "In part, the need to change is a recognition of the fact that charity in the traditional sense is now becoming mature," notes Mr Mulgan.

"The report is not a complete solution but we do hope it will generate debate," he adds.

That much, at least, is already happening.

Mark Suzman

■ The National Lottery: by Mark Suzman

Some donations may be lost for ever

Spending that used to go directly to charities may have shifted permanently

Love it or hate it, in its one year of life the National Lottery has already become an integral part of British life. The problem for charities is that, however hard the government emphasises the lottery's new role as the largest charitable donor in the country, most are convinced that it has wreaked serious damage on their fundraising and, by extension, their programmes.

So who is right? All sides agree that it is too early to pronounce definitively, but preliminary evidence does seem to corroborate the charities' contention that the overall impact of the lottery has been detrimental to their financial health.

According to a series of NOP surveys carried out on behalf of the National Council for Voluntary Organisations, there has been a 10 per cent drop in the proportion of people reporting a donation to charity since the lottery started. The NCVO warns that there could be longer-term damage, with people permanently shifting some spending that used to go directly to charities to the lottery.

On this basis, the NCVO calculates that the loss to charities will be in the region of £339m on the year. By contrast, the amount of money raised for distribution by the National Lottery Charities Board, the body charged with spending the 5.6p in every lottery pound destined for charity, has this year only been £248m – leading to a net loss of £91m for the sector. On the basis of these calculations, most people involved in charities share the view of Stephen Lee, director of the Institute of Charity Fund-Raising Managers, who branded the lottery "one of the least efficient ways of raising money for good causes yet devised".

Exacerbating the problem has been a vociferous debate on exactly how the lottery money for charities should be spent. The number of applications for charity money has already topped 15,000, more than from all the other lottery disbursing funds (for arts, sports, national heritage and the Millenium Commission) combined, and that number is expected to at least double in the future.

In consequence, the NLCB has taken far longer to set up a viable operating structure than its counterparts and will have have spent just £160m of its available funds this year, having only begun disbursing its first tranche of money in October.

To try to streamline the process, the board has spread its donations across a broad range of themes, which it drew up following a wide-ranging consultation process with various charities and voluntary groups, including a survey of 8,000 voluntary organisations, a questionnaire on priorities filled out by over 1,000 groups, and 25 consultation seminars throughout the UK.

The first set of donations have been targeted at poverty relief and the second for charities involved with youth issues. Further targets, which have already been scheduled through to early 1997, will include improving people's living environment and community involvement.

The problem with any large grants programme that has the potential to create instant winners is that there will also inevitably be losers. In this case it has proved to be the large medical charities.

Not only were they not covered by any of the initial themes, but they felt themselves particularly at risk from the lottery given their reliance on fundraising techniques such as raffles and street collection.

Following a heavy campaign, which centred on polls that showed medical charities lagging children's charities in public affection (and beating groups that cared for animals and old people), the NLCB gave in. Next spring's topic has been broadened to cover "health, disability and care" which will make medical charities eligible.

But despite this furore, and other ones such as the widespread coverage, and in some quarters criticism, given to early grants to immigrant and ethnic minority groups, most charities seem to appreciate that the problems with the NLCB have been issues as much of logistics as substance. David Sieff, the board chairman, acknowledges widespread "media flak" but says he believes it has been largely replaced by a "more responsible reaction".

This is not to say that everyone has been won over. Only last month Chris Ball, the national officer for the voluntary sector at the Manufacturing Science and Finance Union, described the board as "an unelected quango whose decisions are bound to be a controversy-filled football in national politics, hooted from end to end of the muddy pitch of easy propaganda and political argument". That opinion is still widely held.

Most groups, however, are following a more cautious line. A report on the NLCB's activities by the Association of Chief Executives of National Voluntary Organisations noted that, "given the size of the operations and the short time-scale, it is a significant achievement" and, diplomatically, pronounced itself "delighted that the Charities Board has listened to the views of the voluntary sector".

For its part, the government has been put unexpectedly on the defensive by the whole debate, receiving criticism rather than the anticipated public relations coup. Virginia Bottomley, national heritage secretary, went so far as to criticise charities for over-complaining, accusing them of "whingeing" when some had in fact done "very well".

The Home Office, however, has been more cautious. Although it continues to insist that the National Lottery "will be a significant new source of funding for charities", it has agreed on a programme, to be jointly administered by the NCVO, to investigate the effects of the lottery on charity income, and whether different charities have suffered or benefited disproportionately.

Pending the results of this investigation, the debate is likely to quieten down for a little while, although it will inevitably re-emerge each time the board makes a grants announcement. Mr Stuart Etherington, chief executive of the NCVO, has already suggested that, given the huge number of applications and a widespread public belief that more lottery money goes to charity than is in fact the case, the allocation of lottery proceeds should be restructured to boost the share for charities.

But, as Mr David Rigg, communications director at Camelot, the lottery operator, notes: "When people buy a lottery ticket, they do so because they want to become millionaires, not because they want to help good deeds."

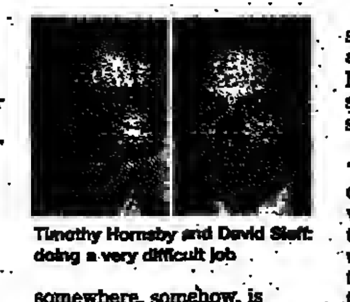
It is this fact that has institutionalised the lottery in the public mind and guarantees its future. And it is a point already acknowledged within the sector. "We need to tell people: buying a lottery ticket is not the best way to help charity," notes Mr Etherington.

Committed to a thankless task

On any list of thankless jobs, the task of running the National Lottery Charities Board (NLCB) must rank near the top. "Giving out large amounts of money isn't easy," warns Timothy Hornsby, a former academic and civil servant who is now the NLCB's chief executive. "Assessing priorities is very much a two-edged sword."

However paradoxical it seems, both Mr Hornsby and David Sieff, the Marks and Spencer director who is chairman of NLCB, insist that being in charge of distributing an enormous, but finite, amount of cash is a very difficult job. Given a near inexhaustible number of good causes, it is a task that inevitably leads to widespread criticism from those who lose out, or perceive that they might be losing out.

No matter the care with which the operation is planned, the consultation undertaken, the meticulous scrutiny of recipients, something is bound to go wrong. "It's unavoidable," admits Mr Sieff. "Someone,



Timothy Hornsby and David Sieff: doing a very difficult job

somewhere, somehow, is going to embezzle some grant money or lose it through sheer incompetence, and we'll be blamed."

Given this, one would have expected both men to be trying desperately to move elsewhere, but they remain deeply committed to, and enthusiastic about, the role of the board.

"I'd be amazed if any business could have set up as quickly as we have under the same constraints," observes Mr Sieff. "In terms of logistics it's been terribly difficult. The full board was named only in August 1994, the chief executive was appointed only in March, and, on top of that, we're subject to extremely stringent legal and public accounting regulations, and have had to rely largely on a staff of irregulars and secondees."

Or as Mr Hornsby puts it: "[It] came with a hell of a lot of tin cans tied to its tail. If we had just shambled in to this we would have been unable to cope, but we've taken a bit of extra time and I think we've done very well to get everything up and running."

They also shrug off criticism that their consulting process has not matched genuine public priorities. "The problem is the lack of cuddle factor in a lot of our grants," says Mr Hornsby. "What we are trying to do is reach out to help all types of vulnerable people in need."

They do, however, admit to some disappointments. Mr Sieff is vocal about racist letters he has received criticising donations to worthy groups working for ethnic minorities.

Mark Suzman

■ Fund management: by Mark Suzman

Curbs on investments may be further eased

The Treasury has decided to undertake a 'fundamental review' of the Act

Balancing the potential risks and rewards of an investment is a tricky prospect for anyone, but for charities it is particularly challenging. As with other investors, charity trustees are required to protect assets against inflation and generate income for spending. But while they seek to maximise return, the potential damage caused by a failed investment has wider repercussions than for ordinary investors.

It was to guard against such a possibility that the Trustee Investments Act of 1961 – which compelled charities to divide their investments equally between wider-range investments, such as equities, and narrow-range investments that are regarded as much lower-risk, predominantly gilts – was first instituted.

From the time of its inception, however, this restriction has raised the ire of charity directors and fund managers alike. Equities have so outperformed gilts since the act was introduced that a £2m investment in the stock market then would have increased sevenfold, while a similar purchase of bonds would have yielded just £700,000. Overall, it is estimated that the restrictions cost the sector as a whole £200m in capital growth every year.

In April, the rules were relaxed, permitting charities to invest 75 per cent of new income in equities and allowing them to consider investments outside the UK for the first time (although those investments are still restricted to stock in the European Union).

While welcoming the development, however, a large lobby group, comprising the Deregulation Task Force, the National Council for Voluntary Organisations and the Association of Charitable Foundations, continued to criticise the regulations as outdated. In response, last month the Treasury announced that it had decided to undertake a "fundamental review" of the Act.

Although a consultation document is not expected to be released until next May, the move has already been widely welcomed. "The picture of investments now looks brighter, and once reforms are in place, trusts will be better able to ensure the long-term health of their funds," observes Stuart Etherington, chief executive of the NCVO.

But larger charities have long been able to apply to the Charity Commissioners, the chief regulating authority for the sector, for special exemption from the Act. Even among those who have not, most have well over three-quarters of their total assets in the stock market already, due merely to the over-performance of equities within portfolios. "Many charities have moved beyond the act anyway and addressed the equity imbalance in their portfolios long ago," notes Richard Fitzalan Howard, a director of Flemings Investment Management.

Perhaps more significantly, common investment funds (CIFs) are not restricted at all in the range of their investments. These are in effect unit trusts for smaller charities (most managers suggest that it is probably not financially worthwhile for charities with assets of less than £1m to seek individual fund management).

They offer lower than normal administrative fees and enable charities to spread their portfolio across a wide range of investments. They also distribute all income gross, saving charities from having to reclaim any tax in respect of their holding.

As such, they have proved highly popular, with the amount of funds under management rising from just £525m at the end of 1991 to over £2.5bn this year. And with the Official Custodian of the Charity Commissioners still divesting itself of the management of the last tranches of £1.5bn of assets it was required to hand back to charities following new legislation in 1992, that amount is certain to keep growing in the short term at least.

Reflecting this, the number and range of CIFs have been growing rapidly. In Scotland, where regulations differ slightly, Stewart Ivory now offers dedicated Pacific and Japan funds for charities. Similarly, in May Kleinwort Benson launched the Chariguard Overseas Equity CIF, the first fund in England dedicated exclusively to overseas investment. "We've already raised £15m, so we're very pleased with the performance so far," observes Hilary Wild, managing director of Kleinwort Benson Charities.

But while CIFs are where a lot of recent developments in

> The restrictions cost the sector as a whole £200m in capital growth every year

charitable investment have been taking place, they still represent just a fraction of the sector. Estimates of the size of charitable money under investment vary, but one recent analysis suggests that the total could be as high as £40bn – that is still dwarfed by the £450bn invested in pension funds, but it represents a significant sum.

Reflecting this, charity trustees and managers have become much more involved with, and concerned about, the details of their investments.

According to Andrew Hind, a former director of finance at Barnardos and author of a new book on the subject of charity governance and management*, greater trustee responsibilities, spurred on by legislative changes and recent alterations to accounting rules, have forced charity boards to become much more involved with fund managers and *vice versa*. "The boundaries of management authority cannot be defined on financial grounds alone," he argues.

This realisation has in turn forced fund managers to try themselves more closely with clients. "Fund managers are having to work harder to provide a proper service for trustees, and we have had to improve our performance measurement techniques to help satisfy them," notes Russell Wright, manager at Cantrade, the charities arm of UBS.

In response to these demands, Cantrade has recently implemented a programme called the Charity Income Checker, which uses a wide range of benchmarks to help clients assess whether their charity is getting the optimal balance between its growth and income requirements. Other fund managers have started to develop comparable products.

The sector as a whole may be due for even more dramatic changes in the future, possibly including the establishment of a dedicated charity banking and investment operation run by the Charities Aid Foundation.

At the CAF annual conference last month, Michael Brophy, executive director, signalled the organisation's intention to greatly increase the scope of its financial services, including fund management, for charities. "We're trying to keep up with the revolution," he observed. With that revolution now well under way, it is a goal shared by charities and fund managers alike.

Andrew Hind, The Governance and Management of Charities, Voluntary Sector Press, 11 Byng Road, High Barnet, Herts. EN5 4NW, £25.

Top 20 charities by investment income

Charity	Year end	Investment income: This year	Investment income: Last year	Growth (3 year average): Investment income	Growth (3 year average): Total income	As % of Total income: This year	As % of Total income: Last year	Expenditure (This year): Growth	Expenditure (This year): As % of total inc.	Total funds: This year	Total funds: Last year
Wellcome Trust	Sep 94	1 / £249.m	£198m	40%	41%	100%	100%	-44%	104%	£5,016m	£5,173m
Church Commissioners for England	Dec 94	2 / £161m	£166m	-1%	1%	63%	64%	22%	103%	£2,381m	£2,420m
National Trust	Feb 95	3 / £20.2m	£21.5m	6%	4%	15%	17%	-9%	100%	£395m	£415m
Leverhulme Trust	Dec 94	4 / £16.9m	£14.1m	11%	11%	100%	100%	-8%	73%	£524m	£543m
Gatsby Charitable Foundation	Apr 94	5 / £15.5m	£9.9m	27%	420%	86%	5%	10%	72%	£424m	£536m
Smith's [Henry] (Kensington Estate)	Dec 94	6 / £14.0m	£17.2m	7%	7%	100%	100%	2%	108%	£401m	£354m
Tudor Trust	Mar 95	7 / £13.3m	£14.3m	-16%	-16%	100%	100%	-6%	141%	£278m	£297m
Weston [Garfield] Foundation	Apr 94	8 / £11.9m	£11.9m	3%	3%	100%	100%	-1%	67%	£1,141m	£951m
Fairbairn [Esmee] Charitable Trust	Dec 94	9 / £10.2m	£7.92m	14%	14%	100%	100%	-2%	77%	£260m	£273m
Christ's Hospital	Jul 94	10 / £9.47m	£8.56m	4%	8%	65%	70%	0%	64%	£252m	£198m
Rowntree [Joseph] Foundation	Dec 94	11 / £7.80m	£7.64m	-6%	6%	29%	32%	15%	102%	£174m	£187m
City Parochial Foundation	Dec 94	12 / £7.30m	£7.85m	-8%	-5%	88%	88%	-33%	111%	£41m	£38m
Shetland Islands Council Trust	Mar 94	13 / £7.27m	£8.01m	-11%	-8%	65%	70%	52%	107%	£178m	£164m
Peabody Trust	Mar 95	14 / £6.31m	£4.62m	24%	18%	15%	13%	10%	140%	£64m	£56m
Rhodes Trust	Jun 92	15 / £6.22m	£6.41m	-1%	-1%	100%	100%	5%	85%	£96m	£90m
Guide Dogs for the Blind Association	Dec 94	16 / £6.11m	£6.41m	-5%	0%	18%	19%	13%	110%	£184m	£205m
Rank Foundation Limited	Dec 94	17 / £6.04m	£4.87m	2%	2%	100%	100%	14%	107%	£146m	£164m
Nuffield Foundation & Commonwealth	Dec 93	18 / £5.96m	£6.27m	-5%	-5%	98%	98%	6%	113%	£162m	£129m
Laing [J W] Trust	Jun 91	19 / £5.93m	£4.80m	24%	24%	100%	100%	21%	90%	£89m	£71m
Royal National Lifeboat Institution	Dec 94	20 / £5.88m	£5.40m	7%	8%	9%	9%	19%	88%	£196m	£203m

Source: Hemmington Scott

■ **Fundraising:** by Alan Pike

Fortune favours the biggest

The gap between the income of the largest charities and the rest is growing

Charities have a powerful interest in projecting themselves as reliant on the fundraising donations of individuals and the spare time of volunteers. This is their distinctive marketing stance in what is, for some charities, now literally a welfare market.

But while the image of voluntarism is true, it is not the whole truth. Just as charities are substantial employers of full-time staff, many are also far more dependent on government and local authority finance and trading income than on public donations.

Recent studies co-ordinated by Johns Hopkins university in the US have provided comparative information about the scope of non-profit activities in several European countries, the US and Japan. The research shows that, around the world, private giving produces only 10 per cent of the sector's total revenue, with the UK slightly ahead of the average at 12 per cent.

These figures are based on broad definitions of what constitutes the non-profit sector, reflecting the different means of providing services like health and education in the countries included in the studies. But even when narrower, more conventional notions of charity are applied, public money and trading income remain important sources of finance. For the UK's biggest 500 charities, *there is an approximately 50-50* balance between the donations, legacies and fundraising events that constitute voluntary income and other sources of finance – items such as public sector fees and grants, sale of goods and services and income from investments.

Even within the leading 500 charities, there are considerable variations in the way the two sources of income divide. Voluntary income is most important for the very biggest organisations – in recent years it has yielded between 55 and 58 per cent of total income of Britain's 200 biggest charities.

The position reverses rapidly, however, as the size of charities diminishes. For those between 201 and 400 on the list of the 500 biggest, all forms of voluntary income accounted for only 39 per cent of total revenue in 1993. And for charities between 401 and 500 on the scale of size, voluntary sources of funds dropped to just 17 per cent of the total.

New figures on charitable giving will be published by the Charities Aid Foundation early in the new year. If they confirm the continuation of recent trends, they will show a growing gap between the income growth of the very *largest*, household name charities compared with the rest.

When CAF last produced figures – on changes in financial trends between 1991-92 and 1992-93 – they showed that, while the total income of the 200 biggest charities had advanced by 8 per cent in real terms, there was a 2 per cent fall in the income of the next largest 200.

Big charities are not typical of the voluntary sector as a whole, but they dominate it in financial terms. Around 10 per cent of Britain's charities account for some 90 per cent of the sector's entire income.

The increased professionalisation of big charities, with marketing and media specialists on their staff, access to substantial advertising budgets and the resources necessary to invest in sophisticated fund-raising techniques, are all factors operating to the advantage of the largest organisations in the competition to raise voluntary income.

In addition, there is concern among the smaller, community-based organisations that the current public funding changes, with the voluntary sector fulfilling contracts to provide welfare and other services, *are giving* big charities similar advantages so far as public money is concerned. Large charities are able to employ specialists to negotiate contracts with local councils and health authorities, and managers to co-ordinate the efforts of volunteer workers on businesslike lines.

Last month's Budget increased the limit on charitable donations qualifying for tax relief under Give As You Earn, the payroll giving scheme, by 30 per cent. One of the disappointments in recent years, however, has been a relative lack of success in persuading the public to adopt tax-efficient means of charitable giving.

With the exception of the payroll giving change, the Budget will add to charities' overall problems rather than help solve them. The cut of 1p in the basic rate of tax will reduce the amount of tax that charities can reclaim on deeds of covenant, costing the sector a possible £17m a year.

Charity finance directors are also disappointed by the government's continuing failure to introduce a VAT compensation scheme. Charities pay an estimated £350m a year in irrecoverable VAT *incurred* in *running such* activities as day centres for the elderly, and the Charities Tax Reform Group has enlisted a substantial group of leading corporate supporters of charity in a campaign for compensation.

Many of the longer-term issues of charity fundraising and finance reflect wider questions about the sector's future. These relate to how private and corporate donors will react to increasingly businesslike charities using donated income to compete alongside private sector residential care companies and NHS trust hospitals in a social welfare market, and the financial and ethical pressures of becoming dependent on public sector contracts.

So far, financial aspects of the debate about the changing role of Britain's charities have been largely confined to whether they should continue to enjoy tax advantages.

Recently, there have been welcome signs of a broadening of the discussion. Demos, the think tank, for example, proposed earlier this year that the tax issue should be resolved by attaching tax advantage to activities that met particular social needs, rather than the legal structure *of the organisation providing* them.

Such ideas have been under discussion in the voluntary sector for some time. Because of the relatively low political priority attached to the sector, ideas for radical reorganisation do not reach the wider public policy agenda easily. But if pressure on charities to become more involved in the new welfare market continues, this will, eventually, have to change.

Top 20 charities by voluntary income

Charity	Year end	Voluntary income: This year	Voluntary income: Last year	Growth (3 year average): Voluntary income	Growth (3 year average): Total income	As % of Total income: This year	As % of Total income: Last year	Expenditure (This year): Growth	Expenditure (This year): As % of Total inc.	Fundraising costs as % of total voluntary income: This year	Fundraising costs as % of total voluntary income: Last year
Church Commissioners for England	Dec-94	1 / £98.2m	£93.5m	6%	1%	37%	36%	22%	103%	N/A	N/A
National Trust	Feb-95	2 / £73.4m	£74.6m	5%	4%	56%	58%	9%	100%	12%	11%
Royal National Lifeboat Institution	Dec-94	3 / £58.2m	£56.1m	8%	8%	90%	91%	19%	88%	7%	6%
Cancer Research Campaign	Mar-95	4 / £52.3m	£42.9m	10%	12%	88%	89%	41%	124%	10%	9%
Imperial Cancer Research Fund	Sep-94	5 / £46.5m	£45.3m	7%	2%	87%	82%	4%	115%	9%	10%
Oxfam	Apr-95	6 / £46.2m	£43.5m	14%	11%	46%	50%	20%	104%	18%	14%
Save the Children Fund	Mar-95	7 / £42.0m	£40.9m	-10%	-1%	46%	47%	-10%	100%	21%	19%
British Red Cross Society	Dec-94	8 / £37.1m	£26.4m	9%	12%	44%	42%	27%	90%	21%	19%
Cancer Relief Macmillan Fund	Dec-94	9 / £36.1m	£30.6m	18%	18%	90%	90%	16%	91%	25%	27%
Help the Aged	Apr-95	10 / £35.7m	£33.6m	7%	8%	85%	87%	1%	88%	23%	23%
NSPCC	Mar-95	11 / £35.3m	£19.4m	18%	20%	82%	85%	96%	97%	16%	17%
Barnardo's	Mar-95	12 / £32.6m	£34.4m	-1%	3%	42%	46%	7%	107%	25%	24%
RSPCA	Dec-94	13 / £32.1m	£28.0m	10%	8%	84%	82%	9%	101%	20%	20%
British Heart Foundation	Mar-95	14 / £31.1m	£27.3m	7%	9%	76%	79%	14%	83%	21%	21%
Salvation Army Trust	Mar-94	15 / £29.8m	£26.7m	2%	-1%	92%	90%	0%	88%	5%	5%
United Bible Societies' Trust Assoc.	Oct-91	16 / £29.1m	£22.3m	51%	50%	99%	93%	22%	100%	N/A	N/A
Guide Dogs for the Blind Assoc.	Dec-94	17 / £27.0m	£27.6m	1%	0%	80%	81%	13%	110%	23%	20%
Actionaid	Dec-94	18 / £26.7m	£25.0m	8%	12%	72%	84%	16%	100%	17%	20%
Curie [Marie] Memorial Foundation	Mar-94	19 / £26.3m	£22.7m	25%	21%	81%	80%	15%	96%	25%	22%
RNIB	Mar-95	20 / £24.8m	£28.1m	0%	3%	49%	52%	2%	105%	25%	22%

Source: Hemmington Scott

CASE STUDY

Society's name change enables it to alter focus

Changing its name gave Scope – the former Spastics Society – the chance to redefine its organisational culture and open new avenues of financial support.

"We were losing our market because of the stigma attached to the word spastic," says Glynn Vernon, vice-chairman of the governing council, who himself suffers from cerebral palsy. Some people with the disease did not know that the Spastics Society was there to assist them, and others refused to co-operate with it. "There was confusion."

At the same time the label "spastic" formed a barrier to public relations and business partnerships. "People were not wearing our T-shirts with pride. Companies which had spent years building up a brand identity were not keen to have 'spastic' on the label of their product," says Claire Mallinson, head of company and trust fund-raising.

The decision to change the charity's name reflected a debate about the nature of disability. The term "spastic" was associated with the "medical model" of disability, defined in terms of what is wrong with a person. By contrast, activists favoured a "social" definition which looks at the barriers in society which stop disabled people getting jobs and living full lives. "The name change identified us with the social concept," says Mr Vernon.

However, though the charity's name was stigmatised, *changing it* was not without risk. "The Spastics Society had a 90 per cent name recognition among the public," says Mr Vernon. "Most commercial organisations would give their hind teeth for that kind of recognition."

The charity decided to drop Spastic from its title in 1991. It invited suggestions for a new name, which were then rigorously market tested. "Scope came out remarkably ahead," says Mr Vernon. "People associate Scope with ambitions, widening horizons – all the go-ahead things."

Richard Brewster, chief *executive, took the* opportunity of the relaunch to review the charity's operations. "The pressure for us to change our name came first, but we took a step back to ask what it meant in terms of our organisation as a whole," he says.

The broad consultation with stakeholders – 230 local associations, volunteers, donors and families – must have given the society something of a shock. "We were seen as old-fashioned charity, wealthy and conservative, with a 'hand me down – people should be grateful' attitude to services," Mr Brewster says. He tried to use the name change to redefine the culture of Scope – as an enabling and empowering organisation.

"We had to find ways of linking our public relations, and regional management with front-line activities and costs to make a success of repositioning," he says. "It meant a complete organisational overhaul."

The old Spastics Society had an antiquated system of management planning. Mr Brewster blames mismanagement of the Spastics Pool – a lucrative football gambling game abolished by legislation in 1969 – which left the charity awash for years with easy money. "If someone had a good idea, you could do it," says Mr Brewster. "Strategic planning did not exist – it did not have to."

The legacy of these years became apparent only in the 1980s. "We had no structure to ensure we stopped spending before the money rans out," marvels Mr Brewster. The charity did not have any *means of apportioning* overheads against operational activities. The only planning involved drawing up a provisional budget for the following year.

> "If solicitors don't know who we are, they are not going to mention us to their clients"

"You cannot make rational decisions on allocating resources if you carry on believing money is no object, making decisions as ideas emerge rather than planning the future," says Mr Brewster. However, he admits, "only in the last six to 12 months have we come to terms with that fully."

Mr Brewster introduced an internal audit reviewing each department's budget break-*downs and performance* indicators – "down to the last paper clip." For the first time, he says, "we defined the organisation", giving the information needed to plan and assess competing claims on income. He admits: "We are still in the process of implementing the changes. The organisation has had a rocky ride."

The name change and repositioning of the charity opened new opportunities for corporate partnerships. "Some local authorities would not work with us because of our name," says Mr Vernon. "Some companies – including blue chips – would not give anything to the Spastics Society because of its connotations."

By contrast, corporate sponsors became heavily involved with the relaunch. It was sponsored by the Forte hotel group, which used *its* fundraising and public relations experience to develop staff skills. "The relaunch partnership generated publicity and money, more than £150,000 so far," says Ms Mallinson.

The name change was advertised on television and radio. The Midland and NatWest banks helped out by notifying their employees of the relaunch. "A big bank might have 85,000 employees – this is incredibly valuable in getting the message across," says Ms Mallinson. These efforts supplemented the basic – if less glamorous – *tactic of renaming the* society's high street shops and sending volunteers on door-to-door calls.

Name recognition is rising fast, but is still nowhere near the 90 per cent achieved by the old Spastics Society. Ms Mallinson has focused efforts on key opinion formers, such as solicitors. "We get a lot of legacies, so we have been careful to ensure solicitors knew about the change. If they don't know who we are, they are not going to mention us to their clients."

Ms Mallinson hopes to build longer term "proactive" relationships with sponsor companies, such as retail and pools group Littlewoods. "There is a unique selling opportunity in terms of equal opportunities," she says. The charity emphasises its operations span all segments of society. "*Cerebral palsy* affects all types of people. It strikes one in every 400 babies – it does not matter whether you are wealthy, middle class, working class, black or white."

Scope aims to develop schemes which reflect its new image as an active and campaigning organisation. For instance, the Fast Track Partnership offers disabled *people of graduate calibre* two-year management development programmes involving placements in blue chip companies – such as British Gas, Boots, Central TV and Northern Foods.

The scheme raises money from participating companies, but that is less important to Scope than the opportunity to show that disabled people can contribute in decision-making roles – dispelling the conventional image of the helpless spastic. Says Ms Mallinson, "the fast track is about changing attitudes – changing society."

■ **Baring Foundation:** by Simon Kuper

Almost all the eggs are still in one basket

Few leading charities seem to have heeded the call to diversify after the collapse

Barings Bank was the largest corporate donor in the UK last year, with £12m in donations.

When it collapsed in February the charities sector was plunged into "shock and confusion", admits Richard Fries, the Chief Charities Commissioner. Many charities saw their Barings accounts frozen; Nick Leeson's futures contracts seemed an awful warning against the derivatives that some charities were dabbling in; and overnight the Baring Foundation, the trust which received all the bank's charitable gifts, lost the five-sixths of its assets held in Barings' ordinary shares.

Barings' account-holders got their money back, but the foundation, the ninth-largest grant-making trust in the UK last year, with £14m in grants, never quite recovered. It lost almost £300m in assets, and now has just £50m left. It has honoured its existing commitments, thanks to a £10m gift from ING, the bank's new owners, but its grants to charities this year will be a mere "million and a bit", says David Carrington, the foundation's director.

Charities held seminars in the weeks after the Barings collapse to discover what they could learn from it. It was generally agreed, in the phrase of the time, that no charity should "keep all its eggs in one basket", as the foundation had. But nine months on, says Paul Palmer, author of several books on charities, the sector has "gone back into complacency. I've not picked up from charities any movement at all."

Six of this year's top 20 grant-making trusts are believed to hold most of their assets in the form of shares in a particular company, as they did pre-Barings. The Charities Commission says it is talking to them to emphasise the importance of diversification – and it says the Barings collapse helped drive the point home to trustees.

But the two charities that have diversified their assets did so irrespective of Barings. The Wellcome Trust this year sold its remaining 39.5 per cent stake in the Wellcome drugs company to Glaxo. And Smith's Charity, another medical foundation, sold its Kensington Estate, 54 acres of residential property in central London, to the Wellcome Trust for £280m. The estate accounted for about half of Smith's financial assets.

"We're not aware of any other significant moves to diversify assets," says Geoffrey Day, a director in the charities division of Fleming Investment Management. "I haven't heard of anyone actually doing it," agrees Nigel Siederer, director of the Association of Charitable Foundations.

However, nine months after Barings, few people in the charitable sector still preach *diversification* particularly devoutly. Mr Carrington points out that the Barings shares that the foundation held were non-tradable, so that it simply *could* not have diversified. Mr Siederer says that no company would set up a charity and endow it with its shares if it knew the charity would immediately sell most of them. He says: "In an ideal world a foundation would start with a diversified portfolio. But if it starts by being given shares it wouldn't suddenly diversify." It might, however, slowly diversify, he adds. Mr Fries says: "I don't think there's any doubt about the principle of diversification – and the fact that the principle shouldn't be absolute."

So the debate about the meaning of Barings has moved on. The episode helped awaken some of the sleepier charities to the importance of keeping a close eye on their assets. Another lesson from the collapse is that no charity should hold all its cash deposits in one bank. Although Barings account-holders got their money back, they have not forgotten the fright of the first week of frozen accounts. Mr Fries says that cash deposit *diversification is the key area* in which the Charities Commission has revised its guidelines. Many charity fund managers now aim to keep no more than 5 per cent of their cash in the same account.

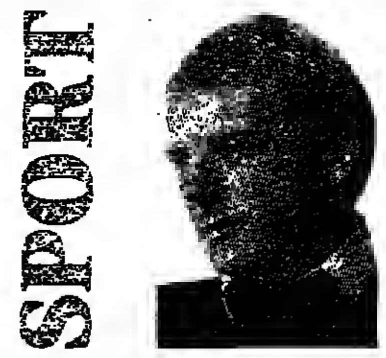
Mr Fries says the Barings episode has also reduced pressure on the Charities Commission to let charities invest more in derivatives. Before Barings, the commission's attitude seemed old-fashioned; after Nick Leeson, it appeared to be quite foresighted.

And last month a Law Commission-led review began of the Trustees Investment Act. Mr Day expects the review to impose a duty of prudence on trustees. Another issue to be studied is diversification. The act had been due for review in any case, but the Barings collapse will help concentrate the reviewers' minds.

These debates may appear esoteric to the hundreds of charities that relied on Baring Foundation grants. The foundation was often the first to give money to a project, prompting other donors to follow suit; it concentrated particularly on London, Merseyside and the north-east. "In some ways Barings was as important for its innovative qualities as for its sheer size," says Mr Fries. In cash terms the *National Lottery Charities* Board will vastly outweigh Barings, while the Corporation of London has also entered the sector. This April it decided to release up to £10m a year to London voluntary organisations. The grants will be administered for the first year by Baring Foundation staff, whose other workload has greatly diminished.

The Barings collapse seems largely *forgotten*. "A view is emerging that the collapse was a one-off," says Mr Siederer. "The financial community seems to be taking it that way too – there hasn't been a general call for much tighter controls on banks."

Going to the dogs in a munificent manner



KEITH WHEATLEY

When a London cabbie has no idea how to find Hackney dog track, you can be sure that greyhound racing is in trouble. When you are met at the stadium by a young woman accountant from Price Waterhouse, receivers to the enterprise, it becomes a racing certainty.

In a sporting life that has taken me from obscure goings-on in the wild brown yonder of the Australian bush to the Olympic Games in Barcelona, I have never seen a more vaultingly ambitious venue than the rebuilt Hackney dog stadium, in east London.

In excess of £10m had gone into the new East Stand when it opened six weeks ago. The main bar and viewing area is on the scale of an airport terminal, and looks through acres of plate glass on to the track itself. The countless tables and chairs are in shimmering stainless steel. But the night I went, more than 90 per cent were empty. The scene resembled the deserted set of a Ridley Scott movie.

The name that springs to mind on seeing the elegant tiered restaurants upstairs is that of Sir Terence Conran. Had the restaurateur who brought mega-dining to London decided to strike out into the sports bar business, I wondered. With 500 covers and menus straight from the West End (crab and shrimp cocktail gazpacho is the first course of the £38 set dinner), Hackney would fit the Conran portfolio beautifully.

Yet if it hadn't been for the gilts traders from Merrill Lynch (four tables of eight) enjoying a pre-Christmas office party, and satirist Angus Deayton leading a shriek of TV luvvies, the restaurant would have been quiet.

"Eastenders don't want prawns and bloody seaweed for forty quid," a tic-tac man confided, in rich Cockney. "This place is run by bleedin' idiots." There were only five bookies out on the rails for him to signal to, and punters were rarer than 20-1 winners.

Earlier in the week, the tic-tac man continued, several bookies had taken not a single bet on the first two races. With his uncles and brothers, my informant owned four dogs himself. It costs about £180 a month to keep a greyhound in training but it is becoming an expensive luxury. "My grandad always had dogs and never saw a trainer's bill. The winnings took care of that, but look at the prizemoney now."

I studied the small print at the top of the race card. In the second race of the evening, Coonagh Castle won comfortably, £5 with the Tote earning me a reward of £17.90. Mr J. Bradley, Coonagh Castle's lucky owner, took home prizemoney of £42. Clearly the numbers at mid-week Hackney are not quite stacking up (hence Price Waterhouse), but is this an isolated case of *folie de grandeur*, an investment beyond all economic reason, or have the structural problems of a declining sport stymied a brave attempt to push into a brighter future?

Greyhound racing has always been a curious hybrid: part sport, part supper theatre, part betting occasion. When it began in Britain a mere 70 years ago, betting was the dominant feature. Before the days of legal off-track betting, it gave the urban working man somewhere close to home where he could enjoy the excitement of a punt.

Between the two world wars, crowds of up to 25,000 were not unknown at top London tracks. Big meetings at Wembley or White City were exciting sporting and social occasions. When I first worked on the London Evening Standard 20 years ago, the first edition of the day was the Greyhound Special, on the streets at 9.30am, selling 60,000 copies and earning its owner, Lord Beaverbrook, a fortune.

Times have clearly changed for the worse. In the whole of 1994, fewer than 4m people attended the 6,393 meetings run under the auspices of the National Greyhound Racing Club; an average of 612 fans per session. It makes the average gate at a Third Division football match seem like the Cup Final.

"There's no doubt that greyhound racing is at a crossroads," concedes Geoffrey Thomas, chief executive of the NGRC. "We've got to decide whether to compete for the leisure pound or the gambling pound."

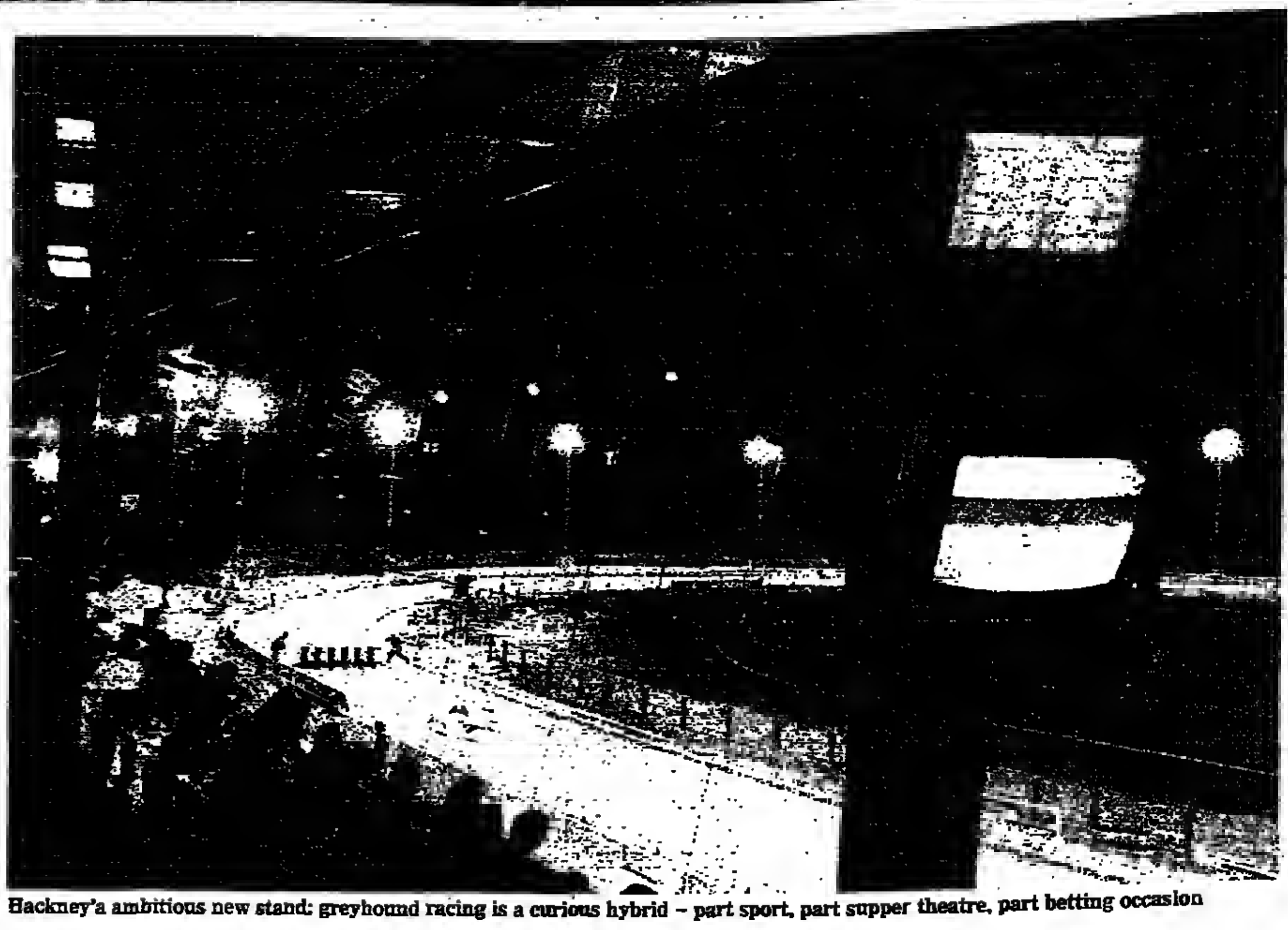
I suggested that with bookmakers laying off staff and closing shops and the pools companies looking at a 30 per cent drop in stake money – all complaining bitterly about the impact of the UK national lottery – the British "gambling pound" was stretched rather thin at present.

"Hackney decided to go in pursuit of the leisure pound to the ultimate degree," agreed Thomas. "It's a restaurant the like of which greyhound racing has never seen before. It gives you a meal to rival any in London and the cabaret is the dogs."

The NGRC recently commissioned a study of the sport and its future. It was discovered that those in the business of dog racing appear to enjoy a return on their investment of 7 per cent. Sadly, even that modest payback looks elusive when set against the mountain of loaned money poured into Hackney before it went belly-up on opening night. Even the electric hare remained unpaid for.

Alan Barratt is the accountant who has gone to the dogs. In his varied career with Price Waterhouse, nothing quite like running a greyhound stadium has hitherto come his way. He says there is life in the sport and there is big interest in buying Hackney – although not at a price that will recover the huge investment.

"We had over 100 replies when we advertised the business," says Barratt. "Some of the people you wouldn't want to be seen dead with. Oops!" We both laughed at the phrase. Will greyhound racing ever be safe enough for Sir Terence and raspberry vinegar?



Hackney's ambitious new stand: greyhound racing is a curious hybrid – part sport, part supper theatre, part betting occasion

Perfect time to fill those bookshelf gaps

Colin Amery describes a few indispensable tomes for architecture aficionados

There are only a few classic texts that should be on the shelves of every architecture aficionado. Christmas is the time for generous souls to fill the gaps on their friends' shelves, and during the last year some important additions for any library have been published.

Top of my list is a new edition of the one indispensable book for any architecture historian, professional and amateur: *A Biographical Dictionary of British Architects, 1600-1840*, by Howard Colvin (Yale University Press, £50). It is the third edition of a book that represents a lifetime's work for Sir Howard Colvin, one of the most erudite and hard working architectural historians in the world. He has been at St John's College, Oxford, for as long as anyone can remember, quiet and diligent in his studies.

I remember meeting him one weekend in Hampshire where he was spending days checking clammy tombstones in remote churchyards to be certain of the dates of birth and death of architects listed in his dictionary. Some 2,000 architects are there, from Inigo Jones to Sir Charles Barry. In this edition there are 150 new names. It is a book carefully compiled, full of architectural fact and rich in local history. With Colvin and Pevsner on your shelves you are more than set up for a grand tour of British architecture.

I admire nearly as much a new book by a young and inspiring scholar that is likely to become an indispensable volume: *Classical Architecture in Britain – The Heroic Age*, by Giles Worsley (Yale University Press, £29.95). Worsley is the editor of *Perspectives*, in which he proves that it is possible to make architecture accessible and fascinating. His book is a fresh look at the architecture of Britain in the 17th and 18th centuries, but it also looks at the same period in America and Europe. He makes a convincing case for the co-existence of styles and the long continuity of a variety of architectural approaches. He does not see the development of architecture as something that has an inevitable progression leading towards one universally approved end.

Modernist and neo-classical critics have for far too long twisted architectural history to fit their own views of how they think contemporary architecture should develop. This book does not do that. It grasps the catholicity of the past as well as the present, and with illustrations that are very intelligently chosen leads the reader enjoyably into the two heroic centuries. The Gothic finds its way into the book as a parallel style to Palladianism, and Worsley makes the important point that architects as talented as Wren and Vanbrugh were as good at the Gothic as at the Baroque. To some architectural historians this could be seen as a tendentious book, as Worsley is a great myth breaker.

The kind of architectural book I particularly enjoy is the one that deals with an individual building in detail and relates it to the people who built it and lived in it, such as *Cliveden: The Place and the People*, by James Crathorne (Collins and Brown, £35). In the case of Cliveden by the Thames (now a splendid hotel) the people who lived or stayed there are more interesting than the house itself, despite the fact that it was designed by Sir Charles Barry.

Its heyday was when Nancy Astor played hostess. An American teetotaller, she nevertheless made the place a model for Edwardian English country house hospitality. Crathorne feels obliged to mention the Profumo affair, and the fact that it all began at a weekend around the swimming pool at Cliveden.

John Betjeman's Letters, Volume 2, 1951-1984, edited and introduced by Candida Lycett Green (Methuen, £20), is an important book for anyone interested in the recent history of taste, architecture and the world of conservation. Candida Lycett Green is Sir John's daughter. She writes movingly and elegantly about her father.

He was crucial to a British understanding of architecture and of the past. The letters show how unsentimental he was. Betjeman had no time for architectural dogmatists, and he brought his wonderful sense of humour to the whole architectural debate which today has become so polarised. Without him there would be no Victorian Society, no real enthusiasm for 19th century English painting – and, I suspect, less of an appetite for English poetry.

هكذا من الاصل

ARTS

OPENINGS

BASLE
Illustrations for books form a substantial part of Picasso's graphic work, ranging from a cheap pamphlet with original prints of the first Cubist engravings, to lavishly produced "suites" for editions of Ovid and Balzac. The Kunstmuseum's exhibition, opening on Sunday, is based mainly on a private collection.

PARIS
Peter Brook's latest production, entitled simply "A work of research", focuses on questions of interpretation in Shakespeare's "Hamlet". Opening night at the Bouffes du Nord is Friday, and performances continue daily except Sunday and Monday till the end of February.

COPENHAGEN
On the threshold of Cultural Capital year, the Royal Danish Opera presents a new production of Ambroise Thomas's "Hamlet", with internationally renowned Danish baritone Bo Skovhus in the title role. It is staged by John Cox and conducted by Dietfried Bernet. Opening night is Friday.

BERN
The Kunstmuseum has organised an exhibition of early paintings by Chagall (right), from the period before the Russian revolution when the artist was in his twenties. The show illustrates the enormous impact which Chagall's visit to Paris in 1910 had on his use of light and colour. It opens on Saturday and runs till the end of February.

LONDON
Sinead Cusack returns to the London stage on [illegible] in "The [illegible] [illegible] de Nesle", Howard Davies directs at the Almeida, John Napier designs, and Jonathan Dove has composed a score for live orchestra.

[illegible]
The [illegible]

Up-beat in Ohio

Martin Hoyle visits Cleveland's Rock and Roll Hall of Fame

One of the curators lets his excitement get the better of political correctness. "A group of Eskimos came from the western Arctic Circle. They saved all year to charter a flight." The Inuits (correctly speaking) presented the museum staff with polar bear-bone earrings and a seal-hunt mural – which, however, omits the Walkmans that they shyly confess to being an indispensable accoutrement to Arctic bunting these days.

In the two months since its opening, the Rock and Roll Hall of Fame and Museum in Cleveland, Ohio, has attracted 225,000 visitors. As a talking point it runs neck and neck with the threatened move to Baltimore of the Browns, Cleveland's beloved footballers (American transfers are not confined to individual players but concern whole teams). As a building, it is breathtaking. There is something familiar about that facade, a great glass pyramid sliced vertically, fronting spacious premises perched on the edge of Lake Erie.

It is indeed the work of the Chinese-American architect responsible for the Louvre extension. "Mr Pei is 76 and oot a rock fan," says Tom Moore, the museum's director of communications. "We took him to Memphis and New Orleans to get a feeling for its roots." The result is a "glass tent" atrium decked with the now familiar tubes and piping, escalators whizzing between its many levels, and cars from a U2 video daogling garishly in mid-air, reflecting the architect's attempt to express "movement, spontaneity, action, energy exploding in different directions".

The Rock and Roll Hall of Fame is a New York-based foundation whose moving spirits include the Atlantic and Sony record companies and the publishers of Rolling Stone magazine. To counter scepticism at this apparently portentous attitude to popular culture, they point out that 60 per cent of all music sold throughout the world is rock and roll related.

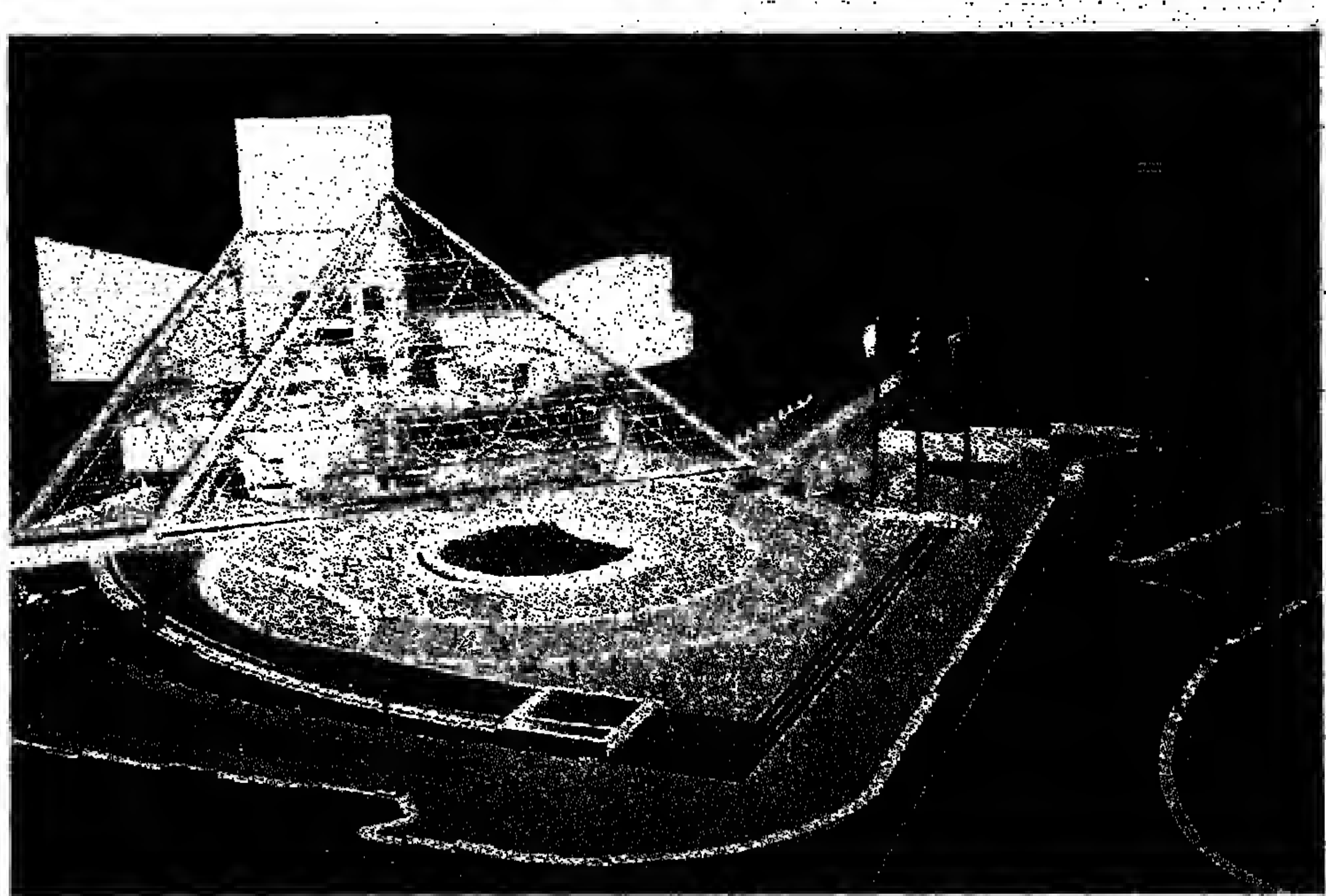
But is not a solemn cultural approach the antithesis of the anti-establishment rebelliousness that rock used to symbolise? Moore briskly adduces rock's impact on the history of popular culture. "To do anything less than chronicle and put it in perspective would be to lose that history. We wouldn't know how difficult it was in the original environment, especially for many early artists now dead, who worked in the Mississippi Delta or the Kentucky Bluegrass Hills. It's become big business anyway; it's already institutionalised."

The next question is: why Cleveland? There are historic reasons. The term "rock 'n' roll" was coined by DJ Alan Freed on Cleveland's WJW radio station. Freed also promoted the first rock concert which – shape of things to come – was oversold and closed down by the fire and police departments. In this city Elvis Presley made his first appearance north of the Mason-Dixon Line at the age of 19, supporting Bill Haley and Pat Boone. Cleveland's *Up Beat* TV programme was widely syndicated in the 1950s. But basically, Moore admits, "Cleveland out-hassled other cities. We put the money on the table and said we're ready."

The city fathers recognised the mass appeal of such a catalyst to the urban regeneration that has seen tremendous rebuilding (sports stadiums, impressive high-rise architecture like the new international headqnarters of BP). The museum's funding is shared equally between the music industry, the state of Ohio, and the city of Cleveland.

The British visitor is surprised by a feeling of *déjà vu* in the museum's thriving shop with its blow-up photos of such rock-related figures as Queen Elizabeth II proceeding down Oxford Street in her coronation coach: the shop is managed, for a fee, by Britain's superstore HMV; the proceeds go to the museum.

Acquisition funding presents more of a problem. To put it bluntly, there is no budget. As ooe curator points out, the museum has neither the resources nor the desire to meet rival commercial interests like the Hard Rock chain head-on in the market place. But the good-will towards the new collection is exemplified by Sam Phillips, who made the first waxings of Elvis, Ike Turner and Roy Orbison, among others, in his tiny studio in Memphis, Tennessee – of social as well as as musical interest, since in the 1950s recording black and white together was frowned on. It was Phillips who made the famous observation that whoever found a white man who could sing like a black would make a fortune. (It was left to others to appropriate Presley and fulfil the prediction.) Rejecting the Smithsonian (not really rock devotees at heart) and Hard Rock (too commercialised), Phillips has donated the historic studio to Cleveland.



Turn on, tune in, drop out: I.M. Pei's breathtaking Rock and Roll Hall of Fame and Museum in Cleveland

Contributions have come from all over the world. However ephemeral rock may have seemed to its early practitioners, each group always had one member or follower who collected sacred relics, be it the Everly Brothers' mother or Keith Moon's mum (who sent his shoes). From Keith Richards comes Stones memorabilia. Mick Jagger initially "made rather sarcastic comments" but came, liked what he saw, and has given material.

There are of course the usual costumes: Elvis jump-suits, Michael Jackson outlandisb outfits, Jimmy Page's poppy outfit from Led Zeppelin (satin, lace, velvet, silk embroidery), Sting's shredded jacket from the "Synchronicity" tour, Alice Cooper's guillotine and decapitated head from the "Nightmare Returns" tour of 1986.

The sixties-reared Briton will find much to prompt a nostalgic tear, including John Lennon's swimming certificate and a flyer for weekend "sensational jive dances" at the Aintree Institute at which the Beatles played – admission at three and four shillings.

A touching section deals with "one-hit wonders" and the inexhaustibly ingenious variations played on a basic chord seqnence by the musically not too sophisticated (whatever bappened to The Elegants and their 1958 number one, "Little Star"?). One can only envy the Americans for whom Rolf Harris comes into the one-hit category. Others are in a position to know better, alas.

The social context is brought to life, as are geographical divisions, down to Seattle Grunge. Ken Kesey ("LSD pioneer") talks on screen in the section devoted to "San Francisco – Someone to Love". You can also be reminded of quotes by such non-believers as Senator Ernest Hollings and his exhortation, as recently as 1985, to "rescue the tender young ears of this nation from this – this rock porn... It's outrageous filth and we've got to do something about it."

Perhaps the museum's ace card is the interactive tonch-screen guide to history and infloeoces. In separate booths you can tooch "Rolling Stones" to flash up a list of their musical antecedents. Touch "Muddy Waters" for an audio-visual display; go on, branch off, return to base. Turn on, tune in, drop out. Understandably the booths are crowded with young – and not so young. An early-morning visit meant we were spared the usual queues.

By the very nature of its subject, the museum is still growing and presumably will continue to do so. Large-scale live performances are excluded by the small auditorium (a large stadium is five minutes away), though there is space for visiting exhibitions, talks and workshops. There is an exhilarating optimism in the air that should win over sceptics as they won over your correspondent; and not just because of the poster for a concert he actually attended at the Colston Hall, Bristol, in the dear dead days when it cost between five and 12 shillings to bear the Rolling Stones.

Elvis Presley: he made his first appearance north of the Mason-Dixon Line in Cleveland at the age of 19

Concert

Finnish Songs

By presenting the Finnish Independence Day concert on Friday, the Wigmore Hall hosted Jorma Hynninen in his only London appearance this season. The great baritone has been scandalously neglected by London: Covent Garden is perhaps the only leading opera house in which he has not sung, and his visits to concert platforms here have been regrettably few.

Though Hynninen remains a stirring singer, we may already have heard the very best of him. He is now in his mid-50s, and his voice has darkened with the loss of some forward, fiery intensity at the top – the inevitable result, too, of the heavy Verdi and Wagner roles he has undertaken. But on Friday, he proved that as a Lieder singer he still possesses a quality in short supply among many of his colleagues: the ability to colour his strong, vibrant tone as each line of poetry demands.

The all-Finnish programme opened with a cycle of eight songs by Yrjö Kilpinen, settings of tha German poet Albert Sergel under the title *Spielmannslieder*. The Finnish equivalent of Hugo Wolf, Kilpinen (1892-1959) devoted himself almost entirely to Lieder, and, with more than 700 to his name, outdid even Schubert in one respect.

But in the *Spielmannslieder* a comparison with Mahler is more informative: light folk-like dance rhythms and melodies are set poignantly to wistful, sometimes desolate lines. Hynninen sculpted each one carefully, and Ilkka Paananen's piano playing caught the cycle's dark side.

Paananen showed his virtuoso colours in the beguiling arrangements by Ralf Gothoni of Finnish folk-songs that formed the centre of the programme. In scope and originality, they recall Britten's inventive folk settings.

Friday also marked the 130th anniversary of Sibelius's birth, and there could have been no better tribute to a composer whose symphonic greatness has dwarfed his other work than the dozen songs Hynninen delivered with his customary conviction.

Sibelius set most of his songs in Swedisb, but those in Finnish – including "Illalle" and "Souda, souda, sinisora" heard here – are especially appealing for the way in which music seems to carry the rise and fall of the language itself. Hynninen was most gripping, however, in the grim "Säv, Säv, susa" and feverish "Var det en dröm?", performances that honoured both himself and Sibelius.

John Allison

Sponsored by Finnair.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Beurs van Berlage
Tel: 31-20-6271161
● Nederlands Kamerorkest: with conductor Hartmut Haenchen and viola-player Richard Wolfe perform works by Krenek, Baldings and J.S. Bach; 8.15pm; Dec 13, 18

■ ANTWERP

DANCE
De Singel Tel: 32-3-2483800
● Een doodnormale vrouw: a choreography by Fabre, performed by Troubleyn; 8pm; Dec 14, 15, 16

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Rundfunk-Sinfonieorchester Berlin: conductor Rafael Frühbeck de Burgos, viola-player Dorothea Jende and cellist Michael Sanderling perform R. Strauss' "Don Quixote" and De Falla's "El Sombrero de Tres Picos"; 8pm; Dec 14

DANCE
Staatsoper unter den Linden
Tel: 49-30-2082861
● The Nutcracker: a choreography by Schatilov to music by Tchaikovsky, performed by the Ballett unter den Linden; 7pm; Dec 12, 15 (7.30pm)

OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● Werther: by Massenet. Conducted by Shao Chia Lü and performed by the Komische Oper. Soloists include Heidi Bronner and Manfred Fink; 7pm; Dec 13

■ BOSTON

CONCERT
Boston Symphony Hall
Tel: 1-617-266-1492
● Boston Symphony Orchestra: with conductor Seiji Ozawa and the Tanglewood Festival Chorus, conducted by John Oliver, perform works by Stravinsky and J.S. Bach. Soloists include pianist Peter Serkin, soprano Jayne West and tenor Richard Clement; 8pm; Dec 14, 15 (1.30pm)

■ CHICAGO

OPERA & OPERETTA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● Andrea Chénier: by Giordano. Conducted by Bruno Bartoletti and performed by the Lyric Opera of Chicago. Soloists include Kristján Jóhansson, Aprile Millo and Jane Shaulis; 7.30pm; Dec 12

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Symphony in Change: a choreography by Anna Laerkesen, performed by the Royal Danish Ballet; 8pm; Dec 14

■ GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573
● Orchestre de la Suisse Romande: with conductor Gary Bertini perform Mozart's "Symphony No.39" and Mahler's "Symphony No.5"; 8.30pm; Dec 13

■ HANOVER

THEATRE
Niedersächsisches Schauspiel haus Tel: 49-511-321133
● Der gute Mensch von Sezuan: by Brecht. Directed by Jochen Fölster and performed by the Niedersächsisches Schauspiel; 7.30pm; Dec 13, 18

■ HELSINKI

OPERA & OPERETTA
Opera House Tel: 358-0-403021
● Carmen: by Bizet. Conducted by David Stern and performed by the Finnish National Opera; 7pm; Dec 12, 15, 19

■ LONDON

CONCERT
Royal Albert Hall
Tel: 44-171-5823861
● Royal Philharmonic Orchestra: with conductor Stephen Cleobury and the King's College Choir in a Christmas programme, including Vaughan Williams' "The First Noël"; 7.30pm; Dec 13

Royal Festival Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor Zubin Mehta and pianist Daniel Barenboim perform Brahms' "Piano Concerto No.2" and Elgar's "Symphony No.1"; 7.30pm; Dec 13

EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Colin Self: exhibition surveying the work of this British artist, one of the founders of Pop Art; from Dec 12 to Mar 24

OPERA & OPERETTA
London Coliseum
Tel: 44-171-8360111
● Turandot: by Puccini. Conducted by David Atherton and performed by the English National Opera. Soloists include Sophia Larson, Edmund Barham, Janice Watson and John Connell; 7.30pm; Dec 12, 15

■ MILAN

OPERA & OPERETTA
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Die Zauberflöte: by Mozart. Conducted by Riccardo Muti and performed by the Opera Teatro alla Scala. Soloists include Soile Isokoski, Simon Keenlyside and Sergio Bertocchi; 8pm; Dec 12, 15, 17 (3pm), 19, 21, 23 (3pm)

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Camerata Academica des Mozarteums Salzburg: with conductor Peter Schreier, flutist Jacques Zoon, oboist Francois Leleux, horn-player Marie-Luise Neunecker and Marco Postinghel on bassoon perform works by Mozart; 8pm; Dec 13

■ NEW YORK

OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Die Meistersinger von Nürnberg: by Wagner. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Karita Mattila, Ben Heppner and Bernd Weikl; 6pm; Dec 12, 16 (12noon), 21

■ PARIS

CONCERT
Cité de la Musique
Tel: 33-1 44 84 45 45
● Orchestre du Conservatoire de Lyon: with conductor Peter Csaba and pianist Peter Frankel perform Bartók's "Music for Strings, Percussion and Celesta", "Piano Concerto No.2" and "The Miraculous Mandarin"; 8pm; Dec 12

THEATRE
Comédie Française, Salle Richelieu Tel: 33-1 40 15 00 15
● Occupe-toi d'Amélie: by Feydeau. Directed by Roger Planchon. The cast includes Bérengère Dautun, Alain Pralon and François Beaulieu; 8.30pm; Dec 13, 14, 16

■ SAN FRANCISCO

DANCE
War Memorial Opera House
Tel: 1-415-621-660
● Nutcracker: ballet to music by Tchaikovsky, performed by the San Francisco Ballet; 2pm & 7pm, Dec 12: 7.30pm, Dec 24: 11am & 4pm; from Dec 12 to Dec 24

EXHIBITION
M.H. De Young Memorial Museum
Tel: 1-415-750-3600
● In Fiber and Photographs: The Art of Kaisik Wong: this exhibition focuses on tha costumes and photography of the late Kaisik Wong, a northern California pioneer in wearable art, whose work incorporated strong Asian themes. About 40 works will be on view; from Dec 13 to Mar 17

■ STOCKHOLM

CONCERT
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Missa da Requiem: by Verdi. Performed by the The Royal Opera Orchestra, conducted by Carlo Felice Cillario, and The Royal Opera Chorus; 7.30pm; Dec 13

■ VIENNA

OPERA & OPERETTA
Wiener Staatsoper
Tel: 43-1-514442960
● Il Barbiere di Siviglia: by Rossini. Conducted by Antonello Allemandi and performed by the Wiener Staatsoper. Soloists include Gabriele Sima, Alfred Sramek and Carlos Alvarez; 7.30pm; Dec 12

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor David Zinman and oboist Heinz Holliger perform works by Kodály, Mozart, Maderna and Sibelius; 7.30pm; Dec 12, 13, 14, 15

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Michael Prowse · America

The charitable urge

As government welfare spending comes under more pressure, a greater response from individuals is needed to close the gap

How much did you give to charity this year? How mucb time did you volunteer? These are not the kinds of question a polite person asks today. But with welfare states under growing pressure in most rich countries, they are questions that most of us should not dodge for much longer.

Many people now recognise that government spending on social welfare must be slowed, if not put into reverse. Bot they often forget the logical corollary: that voluntary or non-profit agencies should assume greater responsibility for the poor and disadvantaged. Yet this can happen only if individuals – and that means you and me – become more willing to contribute money and time voluntarily. The days when all social problems could be delegated to "the government" are over.

The US is better placed than most other countries to make this transition. It is often depicted as harsh and uncaring – on the grounds that public welfare spending is comparatively meagre. But a better guide to people's compassion is their willingness to help each other voluntarily.

Viewed this way, America emerges as one of the world's more caring societies. As the chart shows, the US voluntary sector accounts for about 6.4 per cent of gross domestic product, well above the ratio in Europe or Japan – and this excludes religious groups which are leading providers of welfare in many communities.

Sucb figures, moreover, understate the role of individuals becaose US non-profits rely less heavily oo government funds than their counterparts elsewbere. Last year individuals gave $106bn, or nearly 2 per cent of personal income, to charity. Personal giving, incidentally, rises more than proportionately with income: contributions rise to 3.6 per cent for households with incomes of between $100,000 and $150,000 and to 4.9 per cent for incomes of $1m. Among the super-rich with net worth of $50m or more, donations average about 18 per cent of income, Giving USA, a non-profit group, says.

International comparisons are notoriously unreliable, but most estimates suggeat Americans give much more generously than people elsewhere. A 1991 survey by the British-based Charities Aid Foundatioo found personal giving averaged about £19.50 a month in the US against £7 in Britain and only £4 in France. Americans are also more likely to volunteer than other nationalities. According to the Independent Sector, an umbrella body for US voluntary groups, 89m people volunteered an average of 4.2 hours a week last year.

Many US non-profits, of course, are the first to complain that they will be unable to meet more than a fraction of the likely demand for social services if congressional plans to curb welfare spending are enacted. Mr Richard Steinberg of Indiana University, an expert on tbe economics of philanthropy, says US atudies indicate that increased private giving would replace at most a third of any cuts in public spending, and possibly much less. Data for Britain, he says, indicate an appallingly low replacement rate of only 0.5 per ceot – in effect, a zero philanthropic response.

Such figures, howevar, should not be seen as scientific proof that public withdrawal from welfare provision would spell disaster. In the first place, even if private giving did not rise much, huge sums could be raised if US non-profits focused more directly on the truly needy. For historical reasons most spending today is on healthcare, educatioo and research; social services account for only about 11 per cent of the total budgets of non-profits.

Foundations, in particular, often seem keener to support prestigious institutions such as universities than the disadvantaged. Mr Pablo Eisenberg, director of the Center for Community Change in Washington, a voluntary group, notes that foundations pour money "into research, rather tban action, despite pleas from thousands of non-profit groups".

Nor should the relative parsimony of individuals be takeo as a fact of nature. People's willingness to give has been undermined by the enormous growth of government in receot decades. Why start a community self-help group if everyone is "entitled" to government support? Why donate to charity if you are forced to pay 40 per cent of income in taxation? It is no accident that philanthropy is weakest in precisely those European countries where the state is most dominant.

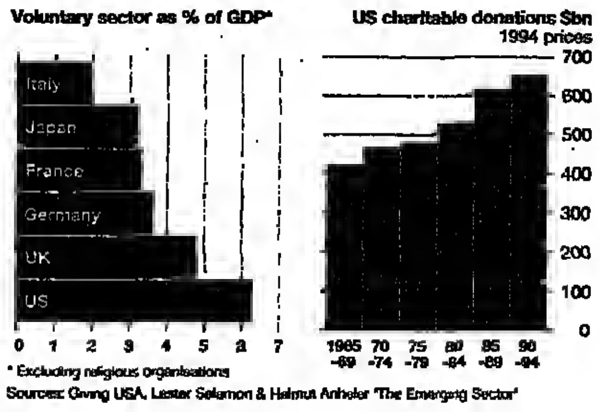
Rather than adopting a defeatist view of private philanthropy's potential, policymakers should take active steps to encourage a greater sense of personal responsibility. A few years ago, Mr Lawrence Lindsey, now a Federal Reserve governor, urged the nation to set a new standard of giving: 5 per cent of personal income, or the "half tithe". Families who met or exceeded this standard should get tax credits in addition to the normal relief for charitable donations, he argued.

Ms Arianna Huffington, chair of the Center for Effective Compassion in Washington, a conservative advocacy group, favours bolder efforts to change people's thinking. Citing the success of campaigns to reduce drunk driving, she argues that people will respond if they can be made to understand that government welfare has failed and that there is no substitute for greater citizen involvement. "Ultimately each one of us has a responsibility to get involved, to lead by example, to spend time each week, personally, patiently going out and belping."

Her group intends to use every available weapoo to shift attitudes, including a "bypocrisy index". By examining tax returns she plans to expose individuals who personally give little or nothing to charity, yet who make a public show of social compassion by demanding that government spend more of other people's money on the poor.

Ms Huffington is surely right both in arguing that conventional welfare policies are failing and in pressing for greater citizen involvement. Too many of us soothe our consciences by telling ourselves that "we pay taxes". It is wrong to claim moral credit for an action – paying taxes – that is involuntary. We should judge ourselves, and our fellows, by the strength of our philanthropic urge.

The most generous nation



* Excluding religious organisations
Sources: Giving USA, Lester Salamon & Helmut Anheier 'The Emerging Sector'

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

New EU strategy for eastern Europe

From Lord Eatwell.

Sir, The perspective adopted in your leader "Enlargement is what matters" (December 6) is one of EU self-absorption. The prospect of eastern European countries joining the EU is examined solely in terms of the effect upon current members, with no reference at all to the likely economic consequences upon countries to the east. The experience of the former East Germany sbould be a warning against such introversion.

Full membership within currently mooted time periods would have a very destructive impact on the emerging market economies of eastern Europe, with profound economic and political consequences for Europe as a whole.

The EU must devise a new membership strategy for eastern Europe, accommodating the desire for full political integration, but introducing a new approach to longer-term economic transition. The performance of the eastern economies is today distorted by the bilateralism of their relations with the EU. This enhances the economic division within eastern Europe, and creates a "beauty contest" in which each potential applicant seeks to outdo the others.

A far better approach would be to create commoo economic arrangements which encourage potential and successful applicants to forge closer relationships with one another over a lengthy transition period.

The resultant "transition zone" of the EU should embody the principle of asymmetry recognised in the so-called Europe Agreements, permitting measures which discriminate in favour of the eastern economies.

Without a new strategy of this sort, we run the risk of either premature economic integration which damages eastern Europe's transformation, or excessively slow political integration which breeds disillusionment and resentment in the east.

Lord Eatwell,
House of Lords,
London SW1A 2PW, UK

Remember

From Ms Michelle Pacitti.

Sir, With reference to Philip Stephens' article "It was ever tbus" (December 8), it should be remembered thet George III was both mad and German.

Michelle Pacitti,
16 Sinclair Road,
Loodon W14 0NH, UK

Risky strategy for bullion bankers to rely on central banks' supplies

From Mr Andrew T. Hecht.

Sir, I concur with David Lascelles' observations in "After the gold rush" (December 5). Bullion banks purchase gold for delivery years in the future from producers seeking to lock in prices. With no natural buyers of long-term gold, bullion banks must sell gold short-term until the producer is obligated to deliver. Bullion banks turn to central banks to lend them gold to deliver against these short-term sales. These mismatched positions have minimal profit potential but carry the risk of large losses in periods of tightness in supply of gold.

Nonetheless, bullion banks have established unprecedented positions with wider time spreads between purchases and sales. This speculative activity has been fuelled by a more than doubling of the liquidity provided to the market provided by the central banks in the past 18 months.

Recent market tightness, which so unnerved observers, was caused by mere concern that central banks might reduce loans of gold in order to dress up their year end balance sheets. What if central banks actually decided to reduce their activity in, or exit, the gold lending business?

For example (as Mr Lascelles observes), they might decide such activity is inappropriate because it does not involve any critical national interest. Or they might decide such lending is too risky. Drexel's bankruptcy caused many central banks to cut back on gold lending. Bullion bankers who ignore market fundamentals and believe central banks will always be lender of last resort run the risk of being unahle to cover short positions economically.

Perhaps recent events in the gold market are a warning of the potential consequences of an unusual and extremely speculative market structure which can be compared to the oil position that hurt Metallgesellschaft just two years ago.

Andrew T. Hecht,
manager, global bullion,
Philbro Division, Salomon Inc,
Westport, CT, US

Long-term investment already reality

From Mr David Damant

Sir, Mr William Wallace asks (Letters, December 7) for advice on bow best to identify a financial institution which will take a long view in the management of his savings. I would not wish to name individual companies, but the market as a whole certainly behaves in exactly the way that he suggests.

As a result, and as Mr Wallace wisbes, institutions do benefit the UK economy and the long-term value of his savings. Of course there are short-term operators but they do not upset these basic truths. The only point at which I would disagree with Mr Wallace's aims is that he would want institutions to resist takeover bids in all but the most exceptional circumstances, a view which is *too* protective of incumbent management.

The propositions which I set ont above are not widely believed, even though they are supported by the overwhelming mass of research on the nature of stock exchange movements. Of course there are anomalies and inefficiencies, but they are not large, especially in shares in larger companies.

Only clever people with considerable intuition can out-guess the market because it discounts reality so well. But very few of those who take part in these controversies are even aware of the research in question.

They rely on anecdotal evidence of an extremely unreliable kind. And this can lead to decisions, whether by company management or by savers such as Mr Wallace, which are based on an incorrect analysis.

As regards the swing of fashion between conglomeration and disinvestment, this is a fashion in industrial logic; finance theory would indicate that non-conglomerates, operating in single businesses, will be more highly valued than multi-business groups.

David Damant,
Credit Suisse Investment Management,
Beaufort House,
15 St Botolph St,
London EC3A 7JJ, UK

Management, not roads

From Mr Michael Schabas.

Sir, Your leader "Road block" (December 5) correctly notes that transport investment is an easy target for budget cutters. Indeed, in retrospect it is surprising that politicians have spent so much on good works that will not bring votes until after the next election. We elect our leaders for five-year terms and it is unrealistic to complain when they refuse to think "long-term". If we want long-term investment, we need another way to fund transport infrastructure.

However, you are wrong to suggest that Britain needs more roads and railways "if it is not to enter the next century clogged and congested". With a few exceptions, the networks are already in place.

London has far more railways than any other city in the world (including Paris!), and it is hard to find anywbere left where one could seriously contemplate building a new motorway in Britain. What is needed is better management of the existing network, which is quite capable of carrying all the necessary traffic.

Most roads and railways are empty most of the time. Better management of a sometimes scarce resource will, hopefully, be among the benefits of rail privatisation and private road concessions.

Most importantly, we need road pricing, both on national and urban roads. Demand will then match supply, as it does in other properly functioning markets. Traffic congestion will decrease, and profitability of the railways improve. Politicians are, however, reluctant to grasp this particular nettle. Until they do, we will always have an unsatisfactory transport system.

Michael Schabas,
transport consultant,
28 Grand Avenue,
London N10 3BB

About-turn on works councils?

From Mr Daniel Vulliamy.

Sir, I was delighted to learn of the Engineering Employers Federation's decision to urge members to support the EU's works council directive in spite of Britain's opt-out ("Engineers back works councils", December 7).

Presumably there is no relationship between this EEF and the one you reported last year ("EU works council costs put at £1m", April 22 1994) as complaining about the "enormous cost burden that companies in Europe will have to bear"?

Incidentally, I still await the promised calculations on which the original EEF claim was based.

Daniel Vulliamy
Senior Lecturer in Industrial Relations,
University of Hull, UK

Faded spirit of Miami

Enthusiasm for free trade accords in the Americas has waned, says Stephen Fidler

It is just a year since 34 beads of state and government leaders met in Miami for the Summit of the Americas, amid optimism over tbe potential for greater co-operatioo in the bemisphere.

Tbe results of tbe summit appeared to justify that optimism, with US President Bill Clioton speaking of a new "Spirit of Miami". Its main commitment was a pledge to negotiate a Free Trade Area of the Americas, stretching from Alaska to Tierra del Fuego, by 2005. To reinforce the message, Mr Clintoo and the leaders of Caoada and Mexico invited Chile to enter formal negotiations to join their North American Free Trade Agreement.

While many saw the objective as over-ambitious, the plan seemed to symbolise the desire for an economic partnership to replace the historically strained relatiooship between the US and the countries in its "backyard". But io the year since tbe summit, much of the Spirit of Miami has evaporated.

The first blow fell less than two weeks after the summit: a Mexican devaluation that set off a financial crisis and recession south of the Rio Grande.

This immediately threw a different light on the supposed economic miracle fashiooed in Mexico since the mid-1980s. It also meant that the extra US jobs predicted by the Clinton administration did not materialise. In the first half of 1995 Mexico registered a $6.1bn trade surplus witb the US, against a $2.6bn deficit in the same period last year.

Tbat undermined the chances that US politicians, facing electioos next year, would concede "fast track" oegotiating arrangements for Chile to enter Nafta this year – forgoing line-by-line scrutiny of any agreement for a single vote on it. Chile said it would not oegotiate witbout fast track, whicb seems unlikely to be granted now until 1997 at the earliest.

The cooling of Washington's excitement about Nafta has also redneed entbusiasm for otber steps to break dowo trade barriers in the Americas. Brazil, South America's largest ecooomy, had favoured joining existing free trade agreements in Latin America to create a bloc that would eventually merge witb Nafta. It bad regarded Mercosur – the customs unioo that groups it with Argentina, Uruguay and Paraguay – as the integral building block in this process.

However, it seems that Brazil was motivated in part by desire to keep the US as much as possible out of South American affairs. As Nafta has become less popular with the US, so Brazil's eagerness appears to have waned, according to Mr Peter Hakim of the InterAmerican Dialogue, a pan-American think-tank based in Washington.

> Growing volumes of cross-border investment have been achieved, not through elaborate accords, but by reducing obstacles to trade and investment

Otbers advocate letting existing trade groups continue to develop, with a merger at some time in the future. The problem is co-ordinating such an approach. More than two dozen free trade accords have been signed in the past four years and a further eight are being negotiated. Such agreements may just as easily hinder trade as help it, by binding the signatories into a patchwork of contradictory trade rules.

To tackle this problem, the Miami summit began a laborious technical procedure to establish what the obstacles are to hemispheric free trade in specific areas. Trade ministers from the Americas agreed in Denver last June to create seven working groups that would examine issues such as market access, customs procedures, anti-dumping and technical barriers to trade. A further four, covering intellectual property rights, public sector purchases and other issues, are likely to be established in March when trade ministers meet in Colombia.

All this means, say trade officials, that time is not being lost. If the political will for hemispheric integration re-emerges, knowledge of the technical obstacles should allow a more rapid conclusion of negotiations.

Such political will may reappear in Washingtoo if the US loses faith in multilateral efforts to promote free trade through, for example, the World Trade Organisation; or if continned economic growth in Latin America means it is seen as an important trading partner.

A free trade zone across the Americas will depend, too, on Latin American governments continuing to see their interests aligned with Washington, and ultimately on their willingness to co-ordinate economic policy. Changes in trade patterns are already underlining the closer economic relationships between the countries of the Americas. Some 22 per cent of Latin America's exports went elsewhere in the region in 1994, well above the nadir reached in the 1980s (though still below the equivalent figures for Europe and Asia). "We see Colombia as part of our domeatic market," says Mr Neil Malloy, finance director of Sivensa, the Venezuelan steelmaker.

Growing volumes of cross-horder investmant knit the economies of tha Americas more closely together every day. Much of this has been achieved, not through elaborate trade accords, but by reducing obstacles to trade and investment.

The surest path to economic integration may therefore be for governments to ensure their economies remain open and to let their entrepreneurs get on with it.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday December 11 1995

Japan should try harder

The Nikkei trotted closer to the magic 20,000 mark last week to the sound of investors proclaiming yet another turning point in Japan's tortuous recovery. With last week's November figures showing a much-desired fall in the current *account* surplus, the hope is that Japan can now enjoy the effect of concerted government stimulus without, for once, the lurking worry of a further rise in the yen.

Next year can hardly fail to be a marked improvement on 1995, when tha Organisation for Economic Cooperation and Development now expects the economy to grow a mere 0.3 per cent, compared with the 2.5 per cent it predicted a year ago. The OECD'a latest survey predicts 1.8 per cent growth for next year, which would be the best the economy has achieved since 1991, though below the government's forecasts.

The Y14,220bn fiscal stimulation package unveiled in September ought indeed to mean a pick-up in activity over the course of next year. Certainly, the economy's underlying weakness can no longer be blamed on insufficiently loose macroeconomic policy. Official interest rates have fallen from 6 per cent to 0.5 per cent since 1990, while the combined central and local budget deficit has moved from about 0.5 per cent of GDP to *nearly 8 per cent in 1995.*

Mix of measures

But sustained growth, as opposed to tantalising signs of life, will require more than a bout of loose monetary and fiscal policy. Some mixture of rising domestic incomes and prices, a falling yen and large-scale, publicly funded bail-outs of financial institutions is needed.

As a recent report for London-based Smithers and Company points out, official stimulus packages can only have a temporary effect as long the government fails to tackle the problem at the root of the economy's difficulties: the continued overvaluation of asset prices relative to incomes.

Although land prices have fallen dramatically since 1990, they still remain high relative to national income, by either international or historical standards. A legacy of high land prices is excessive indebtedness and low returns on equity. These make corporations vulnerable to further falls in land prices, which is one reason why the government is trying to slow the price correction down. Yet without it, the economy will be deprived of its best hope for a recovery in domestic demand: the housing sector, where high prices have done much to prevent the Japanese from enjoying a standard of living in line with their high incomes.

Bad debt problem

The government has long hoped that economic recovery would make the *economy's bad debt* problem disappear, by allowing the indebted financial institutions to grow out of the gaping holes in their balance sheets. Thanks to belated cuts in interest rates, the largest banks have begun to do just that. Yet, as the OECD notes, the bulk of smaller institutions will not be able to get out of danger without an improvement in asset prices: precisely the opposite of what the economy needs.

One way or another, the losses hidden in the overvaluation of asset prices relative to incomes have to be incurred. This could occur openly, through bail-outs combined with further falls in *asset prices. Alternatively, and* less openly, it could occur through the more time-honoured route of general inflation, which would allow the relative change to incur without large further absolute falls in nominal asset prices.

There are signs of a more determined official approach to orderly management of problem assets in the financial sector, although members of the government continue to bicker about the amount of public money involved. Understandably so, since this is likely to prove enormous. Likewise the Bank of Japan seems resigned, at least for the moment, to supplying as much liquidity as the market will bear and keeping interest rates at a record low.

Slowly, then, the authorities are edging towards the policies needed to revive the economy in the long term. What they have yet to accept is quite how aggressively these will need to be – and how long it may take.

Blair, business and Scotland

Mr Tony Blair, the Labour party leader, has done his best to reassure Scottish companies that Labour's plans for Scottish home rule will help businesses, not hurt them. Some remain unconvinced. Are they right?

Labour has said that if it wins the next general election, it will use the first parliamentary session to set up a Scottish parliament. This body would take over responsibility from Westminster for matters now handled by the Scottish Office, such as education, health, local government, economic development and agriculture. It would receive its income from Westminster, but *controversially*, would have the power to "vary" the basic rate of income tax by 3p in the pound.

Speaking in Scotland on Friday, Mr Blair tried to calm some business fears. He denied that his plan would generate more bureaucracy, or that it would ultimately lead to Scottish independence, as Mr Michael Forsyth, the Scottish secretary, has suggested. Labour also says that the new parliament would not be able to alter corporation tax or establish separate business regulation.

Businesses in Scotland have become more sympathetic to constitutional change since the last general election, but strongly oppose a parliament with the power to increase taxes. Their main concern is that a higher income tax rate would handicap Scottish business and discourage inward investment, partly by making it harder for businesses to attract employees. Some also worry that Scotland's influence at Westminster could be weakened, particularly if the post of Scottish secretary were downgraded or abolished.

Convincing responses

Yet bitter controversy over the future of Scottish government is not good for business. *Overwhelming* popular support for devolution has been sustained in Scotland for two general elections; it will have to be addressed if Labour wins the next election across the UK as a whole. The challenge for Mr Blair is to provide convincing responses to the profound questions devolution raises for Scotland's relationship with England. In particular, he must confront the issues of taxation and Scotland's future representation at Westminster.

The proposed parliament's power to vary income tax by 3p would never, in practice, lead to lower taxes. English MPs would not approve levels of grants to Scotland which allowed Scots to enjoy lower tax rates than English constituents. Similarly, if the parliament raised Scottish taxes, English MPs might question the need to maintain grants at present levels, which give Scotland about 10 per cent of public spending compared to its 8.8 per cent share of population. The spectacle of a *region enjoying increasing* autonomy from Westminster, as well as a disproportionate share of public funding, might begin to seem an oddity, and an easy target.

Fiscal deficit

The problem is that Scotland's finances are not strong enough to grant it as much autonomy as Mr Blair's constitutional reforms imply. Scottish Office figures show that in 1993-94, total government spending in Scotland was £8bn higher than the £20.4bn tax revenues raised in Scotland, excluding North Sea oil revenues. The figures suggest that Scotland would have had a fiscal deficit of 15 per cent of gross domestic product, excluding oil, compared with the 8.5 per cent for the UK overall.

Some suggest that Scotland should have a larger share of oil revenues to help fill this gap. But even in the unlikely event that proved politically palatable, government revenues from oil and gas are now too low to be a solution – just £1.2bn in 1993-94, and £1.6bn last year.

Labour has also sidestepped the West Lothian question: the discrepancy between the rights of Scottish MPs to vote on all matters at Westminster, and that of other MPs, who would be unable *to vote on many Scottish issues.*

To the extent that Labour avoids these questions, the consequence is uncertainty on many fronts, from tax policy to the stability of relations between Edinburgh *and Westminster. Despite* his comments on Friday, Mr Blair has not yet answered these points. Until he does, Scottish businesses are right to worry about his plans.

Wolfgang von Brauchitsch

The FT Interview · **Theo Waigel**

No soft options on hard issues

The German finance minister tells **Peter Norman** and **Andrew Fisher** of his commitment to European economic and monetary union and of his plans for a stability pact for Germany

Mr Theo Waigel, Germany's finance minister, insists that he is no softy. The stocky 56-year-*old with the bushy black eyebrows* and booming voice is already the second longest serving finance minister in the history of the Bonn republic.

He is the doyen of the Group of Seven finance ministers. He has headed the Christian Social Union, the Bavarian sister party to Chancellor Helmut Kohl's Christian Democratic Union, for seven years, winning 95 per cent of the delegates' votes at the party conference in September.

In a country where coalitions are the rule rather than the exception and political parties have started to show a distressing tendency to internal disarray, the CSU is a disciplined vote-gathering machine which governs Bavaria with an absolute majority.

This makes Mr Waigel Germany's second most powerful politician after Chancellor Kohl. He is a man who is used to exercising authority. In the course of a one-hour interview in his modest office at the Bonn finance ministry last week, Mr Waigel displayed hardly a trace of doubt about any of the difficult *issues facing him.*

While a majority of Germans look forward to European economic and monetary union with trepidation, Mr Waigel regards it as a "well based policy that is in Germany's interests". He can understand why his compatriots are concerned at the prospect of losing the D-Mark, but it is up to people like himself to show "political leadership and point out the advantages of Emu and the risks if it does not happen".

His proposed "stability pact for Europe", which would oblige Emu member states to cut their annual budget deficits stringently to 1 per cent of gross domestic product in times of normal growth, is a policy about which "nobody has any economic doubts". Rising unemployment may have fuelled fears that Germany's recovery is running out of steam, but Mr Waigel, while acknowledging that activity may flatten somewhat, still looks forward to "growth with inflation of less than 2 per cent".

Recently, after news that he had questioned the ability of Italy and Belgium to participate in Emu in what was supposed to be a closed session of the Bundestag finance committee, there was a strong suspicion in the markets that Mr Waigel wanted to scupper Emu.

But in the interview, the minister was unwavering in his support for the project. Emu was "not a risky policy". It was in Germany's interests. "No other country has such an interest in free competition, free export markets and a large internal market," he said. The Maastricht treaty had already proved its worth: "Without Maastricht, it would have never been possible to attain an average *inflation rate in Europe* of 3 per cent today compared with 13 per cent 10 years ago."

However, Mr Waigel, who described himself as "a realistic European", said he could not contemplate Emu without France. "I say that France must be a member of Emu. That is my opinion. I am not alone. The chancellor has said this. The coalition parties have said this. Emu only makes sense if France and Germany are members."

The crisis in France over cutting the cost of the welfare state could not be laid at Emu's door. "Of course, such an adjustment programme produces tensions. But countries would face the need for adjustment, even if European integration was not involved."

He declined to speculate about which countries would qualify for Emu. There were still two years for countries to fulfil the *Maastricht* criteria. And he claimed that his idea of a stability pact for Europe, which would reinforce the convergence criteria even to the extent of exposing Emu members to the risk of fines, had won strong backing.

"The very countries which had particular problems in the 1960s or 1970s and which still have high indebtedness dating from then even went beyond my goals," he said. "So what I am proposing is not especially ambitious but a goal on which every good economist must agree."

For Germany itself, Mr Waigel has proposed a *domestic stability* pact – in which the Länder (Germany's states), the local authorities and social security organisations would strictly control their budgets – to stand alongside the stability *pact for Europe.*

"I will invite the Länder finance ministers to agree a framework which binds us jointly to a moratorium": this would mean no further spending by the federal government and Länder without matching savings.

The domestic stability pact could also include a joint attack by the federal government and states on subsidies and more privatisation by state and local authorities.

Germany's federal constitution means that the Bonn finance minister is forced to co-operate with the Länder on many issues, especially tax. "We need agreement in the Bundesrat [the parliamentary chamber representing tha states] and the coalition does not have a majority there. So almost every tax decision is a compromise and compromises are mostly rather messy."

Under existing plans, taxes are set to fall by about DM20bn next year. The minister's next target is "a sensible company tax reform with the removal of the local capital trading tax", a levy on capital peculiar to Germany, which taxes companies whether they make a profit or not. Mr Waigel also wants to adapt local profit taxes so that they will be less of a burden on the small and medium-sized companies that are seen as the main creators of jobs in Germany.

He would also like to scrap the wealth tax – which has to be revised or abolished anyway because of a recent Constitutional Court ruling. Eliminating it tax "would be a real breakthrough for the economy, for investment and *for capital flows into Germany*".

However, "I cannot do this alone", he said. The wealth tax accrues to the states so he will require the support of the opposition Social Democratic party, which has the majority in the Bundesrat.

On the other hand, Mr Waigel is "very confident" that he will be able to reach agreement next year on the abolition of the local trading capital tax from the start of 1997. "You have to see the progress that has been made. A year ago, the SPD blocked it. Now, nobody in the SPD defends it. The SPD always needs a year longer to come to the right opinions – at least a year, in some things it takes 10 or 20 years."

He rejected suggestions that the government, which aims to cut the state sector's share of the German economy to 46 per cent of GDP by 2000 from just over 50 per cent now, has been dragging its feet. "Imagine what would have happened if any of our competitors had acquired a fifth of its economy in the form of the former east Germany, after 40 years of communism." By 1989 West Germany "had got the state sector down to about 46 per cent of GDP and if we had been able systematically to pursue that policy, we would now be at about 43 per cent".

Indeed, in spite of taking over eastern Germany, "we've achieved more than all other governments around us", he said. "When I consider what we've done in tha last four years, even though we didn't have a majority in the Bundesrat – the solidarity pact, reordering federal-state finances, and privatisation – all in one legislative period. Four years ago, nobody expected that of us."

He is also proud of his own achievements since becoming finance minister. "When I think what I have helped bring about in these six and a half years: German union, the withdrawal of the Russian troops and their weapons, European integration, consolidation, overcoming the financial problems of German unity. This was the biggest challenge of the past decade and the D-Mark did not wobble for a second."

Six and a half years is a long time to hold down two big political jobs. There have been rumours that Mr Waigel could move from the finance ministry to head Germany's foreign office. He roars with laughter at the idea. "I read these reports that I might become foreign minister with amusement. It's nice that people think I am capable of that. I am also sure I could do it. But I am not seeking that job."

For the time being, at least, Mr Waigel is content to stay at the finance ministry. It is true that with his CSU responsibilities taking up the weekends, he has hardly any free time. But he is fit, the adrenalin still flows and he clearly still enjoys the job.

In what sounded suspiciously like an understatement, he declared: "I am not a softy and I do not have a soft ministry."

· O B S E R V E R ·

A star is destroyed

■ Godzilla, Japan's only internationally known movie star, is being put down. Toho, Japan's largest film distributor and creator of Japan's favourite monster, has unveiled Godzilla vs Destroyer, which it says will be the truly final episode – number 22 – in a series which began 41 years ago.

Godzilla, like Japan, became an economic miracle by recreating himself in postwar years, only to take a hammering in the economic upheavals of the 1990s. Toho has now called an end to Godzilla's cycle of death and rebirth, on the grounds that it and the radioactive dinosaur have run out of ideas.

The typical Godzilla film ends in a battle in which large areas of prime Japanese real estate are levelled. As the dust settles, the wounded monster stomps off into the Pacific ocean, re-emerging a year or two later in a new film, usually around Christmas, to launch a fresh attack on Japan and *the rest of the world. Toho is coy* about how much cash Godzilla has earned over the years, but reckons that he has sold nearly 86m tickets so far.

But like so many Japanese *retirements and resignations,* Godzilla's farewell is not as final as it seems. He will cross the Pacific and reappear, says Toho, in a Hollywood version in summer 1997, created by Tristar, a subsidiary of Sony, the leading Japanese consumer electronics company.

UNambitious?

■ The career of Senator Gareth Evans, Australia's foreign minister, is at an interesting turning point.

He is still only 51, yet he has almost certainly gone as far as he is going to get in Australian politics. Hence the rumours that he is seeking a big job on the international stage. His arrival in London next week to lecture Chatham House on "The future of the UN: an Australian perspective" is bound to fuel the speculation that Evans wants the UN secretary-general's job if Egypt's Boutros Boutros Ghali, 73, does not stand again when his term expires at the end of next year.

Indeed, some of Evans' Australian colleagues have already started referring to him as Gareth Gareth Evans.

Soft shoe Schüssel

■ Is this a first? A funny political advert for a man who could be Austria's next chancellor.

Austria's cinemagoers have been enjoying a commercial which opens with a fine pair of hands playing a lively boogie-woogie. The camera pans to reveal Wolfgang Schüssel, the bow-tied leader of Austria's conservative People's party. "Would you now like to hear my election message or shall I carry on playing?", asks Schüssel. The screen goes blank and, after a short pause, Schüssel reappears playing his boogie.

If only it had ended there, Schüssel, who has a fighting chance of winning next Sunday's national election, would have won Observer's award for this year's most honest political commercial. Sadly, *he blew his chances by* saying that it wouldn't do not to have any message, so up pops his smug election slogan – "Some things have to be changed if you want to preserve what is good."

In the deep end

■ So crime does pay after all. Scottish Widows Investment Management, a UK fund manager, has taken a small stake in the Corrections Corporation, the largest prison management company in the US. "It is undoubtedly a growing business," gushes investment manager Alan *Denholm*, "and the type of investment opportunity we find with research and on-the-spot visits..."

Battling Belli

■ It could not have happened to a nicer guy. Melvin Belli, the US lawyer whose clients have ranged from Mae West, Errol Flynn and the Rolling Stones to Muhammed Ali and Jack Ruby, has filed for protection under US bankruptcy laws.

Belli, 88, a veteran campaigner against big business who claims to have won $350m for his clients, has run up big bills representing women who sued Dow Corning over breast implants. However, his chances of winning an early mega-buck settlement have been *derailed by Dow Corning's decision* to file for for Chapter 11 protection in May. Meanwhile, Belli is still facing the financial repercussions of a messy divorce from his fifth wife Lia – he accused her of tossing one of his dogs off the Golden Gate Bridge – and a long running legal battle with five of his own lawyers. Old lawyers never die: they just go on suing each other.

Passed over

■ Better give that crystal ball another rub. The latest issue of Financial Astrology, a quarterly financial tip-sheet which bases its forecasts on planetary calculations, has good news for the World Bank. It predicts that the future of Lewis Preston, the World Bank chief, "appears to be on the rise this next year with the World Bank financing more projects than ever before".

Er, didn't Lew pass away in May?

The Financial Times

100 years ago

The horseless carriage
A crowded meeting was held at the Cannon-street Hotel in response to an invitation to form an association in connection with self-propelled machines and horseless carriages. Sir David Salomons presided, and Dalziel's agency states that in opening the proceedings he said the proposed association had for its object the encouragement of a new industry. It would have no commercial aspect, nor would it interfere in any way between masters and workmen. It would simply be an association to forward the movement for self-propelled traffic in the country. The Bill they intended to promote must give to the new traffic the same freedom as that now enjoyed by horse traffic. There must also be no excessive and absurd taxes put upon the new carriages.

The projected Chinese loan
The Hong Kong and Shanghai Bank and the Deutsche Asiatische Bank are carrying on negotiations with the Chinese Government, through the British and German legations respectively, on the subject of the projected new Chinese loan, which will amount to 130,000,000 taels. The negotiations, however, are of a preliminary character. No loan can be contracted until February, or six months after the issue of the Russo-Chinese loan.

FINANCIAL TIMES
Monday December 11 1995

Russia's last outpost dissents

Vladivostok voters are set to upset Moscow, writes Chrystia Freeland

When the parliamentary polls close in Moscow at 10pm next Sunday, preliminary results should already be available from Vladivostok, Russia's highly fortified outpost 7,000 km and seven time zones away on the Pacific coast.

The local government bosses of this depressed and highly militarised city are already warning that those early reports from the Russian far east are unlikely to please their political masters in the Kremlin. "The results will be terrible," says Mr Yevgeny Nazdratenko, governor of the vast Primorsky region, which includes Vladivostok.

Moscow is accustomed to bad news from the east. In the 1993 parliamentary elections, Mr Vladimir Zhirinovsky's 23.34 per cent of the vote in Primorsky was the first indication of a surprise shift to the ultra-nationalists, who won 22.92 per cent nationwide. Mr Nazdratenko's pessimism suggests that the news could be even worse this year.

An appointee of President Boris Yeltsin, Mr Nazdratenko is firmly in control of his province. He is precisely the sort of tough local chieftain many observers had expected would guarantee a strong showing for Our Home is Russia, the pro-government party led by Mr Victor Chernomyrdin, the premier. Mr Nazdratenko is nominally the head of the local Our Home is Russia branch, but be is one of the government's most unrelenting critics and says he will not even vote for the ruling party.

Asked whether he backs Our Home is Russia, Mr Nazdratenko blames Moscow for the region's current economic woes, launching into a scathing attack on Mr Anatoly Chubais, the first deputy prime minister and architect of Russian economic reforms.

"Chubais bas discredited the very word 'democrat' and made people hate reforms," Mr Nazdratenko says. "Because of him the whole country will vote for communists and you know what communists are - a new iron curtain, more missiles, a new cold war."

Mr Nazdratenko claims inept reforms have made the Primorsky region "a province under blockade, a province of hatred". The evidence on the streets seems to bear out his claim.

In Vladivostok, electricity is shut off for several hours every day, adding to the misery of the snb-zero winter temperatures, and in the outlying cities water is also regularly cut off. One campaigner tells voters he wishes there were elections more often, as power cuts have been less frequent recently.

Defence factories, which are brought to a standstill by painful economic reforms and pay their workers only intermittently, account for 82 per cent of the industry in Vladivostok.

Some analysts have speculated that soldiers and sailors - a larger share of the population here than in any other Russian region - might provide at least one source of votes for the government party. But Mr Artur Korolkov, a former captain in the Pacific Fleet who is running as a candidate for the nationalist Congress of Russian Communities, thinks otherwise.

"Officially, the Pacific Fleet commanders will back Our Home is Russia and superficially they will appear to do so," Mr Korolkov says. "But in reality Our Home is Russia will get almost no votes in the military. The military strongly dislikes Grachev [Pavel, the minister of defence] and he is associated with Our Home Is Russia."

Mr Korolkov, who is also the head of the regional branch of a newly formed independent trade union for military personnel, says reforms have made soldiers into "third class citizens" who feel "discarded and unneeded". The military vote, be predicts, will be divided between the communists, the Congress of Russian Commnnities and Mr Zhirinovsky'a Liberal Democrats.

Mr Andrei Malintin, deputy head of the Vladivostok stock exchange, Russia's biggest exchange outside Moscow, predicts e communist-nationalist landslide.

"The Rnssian mentality is really hard to understand," said a perplexed Mr Malintin. "It's an ancient country with an ancient history and highly educated people but it'e enough to say 'you'll have a lot of vodka and a lot of sausage and we'll resettle the Chechens to somewhere in the Indian Ocean' to win votes."

Russia's elections, Page 2

UK Tories hit back at 'smear campaign'

By Kevin Brown in London

Britain's Conservative government hit back yesterday at claims by the Labour opposition party that it is misusing confidential official information.

The dispute indicated the increasing bitterness of relations between the parties in the run-up to an election due by spring 1997.

Mr Michael Heseltine, depoty prime minister, accused advisers to Mr Tony Blair, the Labour leader, of mounting a smear campaign. Labour had threatened to seek an inquiry into alleged abuses of confidential information by Conservative Central Office, the party headquarters.

Mr Heseltine said the Labour party was "debasing" the political system with "distasteful" US-style media techniques. Mr Donald Dewar, Labour's chief whip, said he was considering passing a dossier of alleged abuses to the Nolan committee on public standards, established last year by Mr John Major, the prime minister.

Mr Dewar suggested the government had "dragged" the Civil Service into politics by allowing Central Office to give "political" briefings on sensitive issues. He said the Conservatives' campaign of "dirty tricks" was "pressing against the rules of constitutional propriety".

"Information that is properly with the Civil Service should not be put at the service of a faction," he said.

Labour's complaints focus on three off-the-record briefings given to journalists on: the contents of the Queen's Speech, a controversial application for political asylum, and a speech on judges' responsibilities by Lord Mackay, who as Lord Chancellor is the minister in charge of the judicial system.

The briefing on his views was reported prominently by the Daily Telegraph, a newspaper with strong Conservative sympathies. It backfired when the Lord Chancellor denied he ever intended to make the speech described by Central Office.

He is understood to have been horrified by the reports of his views, which suggested he planned to warn judges not to use judicial review procedures to challenge the decisions of ministers. It is believed he had planned a speech on a similar theme and that a draft had been circulated to ministers. The date was noted in Downing Street's diary, bnt the speech was cancelled, unknown to Central Office.

● Sir Edward Heath, the former Tory prime minister, yesterday warned Mr John Major that pro-European Conservative MPs would ha willing to defy the party line and vote with Labour if the leadership's drift towards Euroscepticism continued.

Sir Edward, a prominent supporter of European integration, said that a pro-European Labour government "ought to be supported" after tha next election if it was following the right EU policies.

Winds of change, Page 8

THE LEX COLUMN

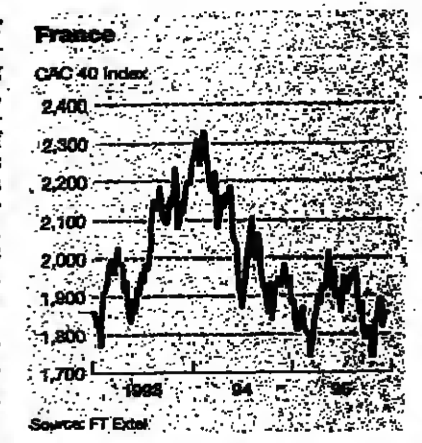
Belgium's can of worms

The two consortia bidding for 49 per cent of Belgacom, Belgium'e state-owned telecoms business, are fighting over a can of worms. For one thing, Belgacom has unfunded pension liabilities of BFr110bn ($3.86bn) on top of debts of BFr95bn. For another, it is one of Europe's least efficient telecoms groups, with business charges 28 per cent higher than British Telecom's. The company will have to cut its charges fast if it is to survive when the European telecoms market is opened up to competition in 1998. Otherwise, instead of being – geographically – ideally located to compete, it will be ideally placed to have its best customers stolen. And its long list of lucrative accounts – from Brussels' multinationals to EU institutions – will not be an asset, but an invitation to others to cherry-pick.

The big worry for bidders is whether they can cut costs fast enough. Belgium's restrictive labour laws will certainly get in the way. So may the government, which will still bold a majority stake in Belgacom: it is intensely worried about union unrest, and has even said bidders will be jodged on their ability to preserve jobs.

The real mystery is why KPN, the Dutch telecoms group leading the consortium that is the favourite to win, wants to take these problems on. With its relatively low costs and a shared border, it has plenty of opportunity to pinch Belgacom'a best customers without buying an expensive stake in the company as well. If it wins, its shareholders may well live to regret it.

France



France's dismally performing stock market is exuding precious little Gallic charm. A government victory in its battle with public sector unions over welfare reform would undoubtedly help the market to recover the ground lost since the current wave of strikes started, but further progress may be slow. Share prices do not look particularly cheap, aven after this year's underperformance. At around 14 times 1996 earnings, the Frencb market is valued more or less in line with other continental European stock markets.

The bulls' case is that if welfare reform is pushed through, the government will be able to reduce interest rates rapidly, boosting bond prices, which will then drag equities np with them. The flaw in the argument is that a relatively strong bond performance this year failed to help stocks much. Interest rate cuts should, however, stimulate faster economic growth, boosting earnings. The problem is that the market has yet to take full account of the dire prospects for growth without the stimulus of rate cuts. Even assuming monetary easing, tha economy's progress will be less than speedy, favouring bonds. Furthermore, despite scaling back the privatisation programme, there is still around FFr40bn ($8.2bn) of new equity to be issued next year.

Looking further ahead, a secular change in France's expensive welfare system would remove existing impediments to economic growth. But for now the safest prospects, in spite of the strong French franc, are still those blue-chip French stocks with a sizeable chunk of overseas earnings.

Amec

The main plank of Amec's defence against Kvaerner's hostile bid is that profits are set to rebound next year. This is easy to dismiss: the company has consistently disappointed. But it may just be worth overcoming natural scepticism.

This year's profits have been depressed by costs incurred on its Tiffany oil platform contract, which is now settled, and losses at its Newcastle offshore fabrication facility, where costs have been slasbed. Without these black spots, earnings next year could double to £40m ($63.2m).

Even at that level Kvaerner's offer of 100p per share still values the company at around 12 times earnings, more or less in line with the sector. And there is no guarantee that it will find no more hanana akins. True, there has been some shift away from the traditionally adversarial structure of contracts. But the government's private finance initiative, on which the industry is pinning its hopes for restored profitability, requires companies to take on unfamiliar long-term risks.

Still, Amec'e specialist skills in project management and energy should help bolster margins. The appointment as chief executive of the well-regarded Mr Peter Mason from Balfour Beatty may herald the ditching of weaker businesses. Furthermore, the heavy weighting of preference shares in the company'a balance sheet means that ordinary shareholders who suffered disprepertionately in the bad years will be well rewarded if and when earnings rebound. At the bottom of the construction cycle, the existing management is probably worth the bet.

UK gas

Seeing snow outside their windows, British Gas ehareholders may be tempted into optimism. BG's problems stem from a drastic drop in the gas price – and if the price can collapse when the weather is mild, why should it not now bounce back up again?

This train of thought is comforting – but wrong. For one thing, the UK's gas surplus has grown too big for even a series of harsh winters to use it up. Even if producers are able to start piping gas to the Continent from 1998, via the planned inter-connector, the UK is likely to remain in surplus until well past the turn of the century. This alooe will keep prices weak.

There is, though, a more fundamental reason for concern. The economics of gas extraction have changed – permanently. Technological developments have cut break-even development costs to around 12p a therm. This means the argument advanced by some prodncers – that BG could bring the gas price back up by cutting its own production – is disingenuous. If BG tried to push the price back above the 20p a therm it has to pay, two things would happen: there would be a rush into new production, and Continental gas producers would start to sell gas into the UK. Both factors would keep supply well above demand – and the gas price low.

Whatever the weather, the reality is that BG will be lncky if it can keep contract prices at their current level – about 15p a therm. Producers' claims that prices could recover are no more than a tactic to fend off the threat of renegotiation of their lncrative contracts.

Canadian group ousts chief of takeover target in US

Continued from Page 1

Wallace's average stock price the month before the bid.

Altbongb an official proxy count won't be available for a week, Moore executives said they believed they bad received the support of 60 per cent of all outstanding proxies, and 75 per cent of all proxies voted at the meeting. That is eoough to put three Moore directors on tbe eight-man Wallace board, bnt falls sbort of giving Moore control.

Mr Cronin was one of tbe directors onsted in tbe proxy battle, bnt it ls expected tbe board will vote to expand its size and reinstate him.

Mr Cronin told the meeting – which was packed by loyal Wallace employees – that Moore's was a "low-ball" offer, and that the company was not for sale.

In an interview after the meeting Mr Cronin and Wallace cbairman Mr Ted Dimitrion refused to say what they thought a fair price might be.

Moore's cbairman Mr Reto Braun was asked at what point be might abandon the Wallace bid. "We are not going away, we bave three people on tbeir board," be said.

Karadzic pressed on fate of missing French airmen

Continued from Page 1

conference has slipped further. A communiqué after the London talks said the aid conference was expected to be held in March, although dates in January or February had been suggested.

US vice-president Al Gore said yesterday that Bosnia's army would be trained and equipped with Washington's blessing, regardless of the outcome of a regional disarmament effort which is foreseen by the peace process. Mr Gore told NBC television there would "have to be some equipping and arming of the Bosnian federation" in spite of the disarmament process which a conference in Bonn is expected to set in motion.

As he spoke, 10,000 soldiers of Bosnia's Moslem-led army paraded behind tanks and artillery in the town of Zenica, and their commander, General Rasim Delic, pledged to be ready for any breakdown in the peace process.

Mr Gore said unspecified third parties would be contracted to upgrade the Bosnian army. This effort would not involve the 20,000 US troops joining the Nato force that began deploying in Sarajevo over the weekend.

FT WEATHER GUIDE

Europe today

Scandinavian countries will have exceptionally mild conditions. The Norwegian coast will see rain and drizzle while dry, but mostly cloudy conditions will persist over Sweden and Finland. Patchy drizzle will occur over Denmark and northern Germany.

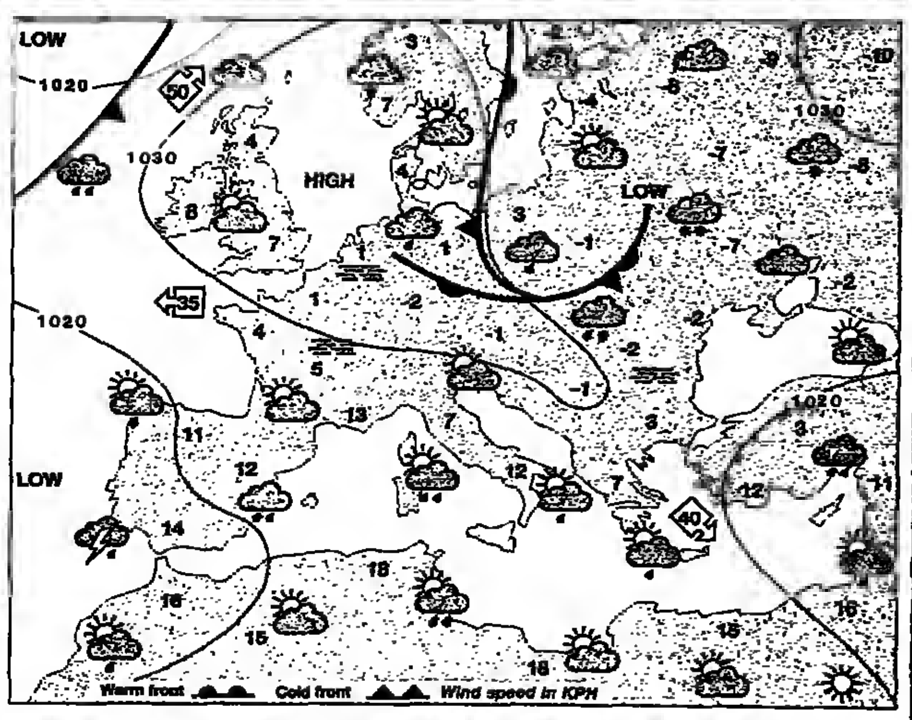
A front will trigger freezing rain, sleet or snow over central Germany, the Czech Republic, southern Poland, Slovakia and Belarus. Calm, misty and cool conditions will stretch from the British Isles to the Low Countries and northern France. Patches of fog will be persisent in some places.

Some sunshine is expected in southern France and much of Italy. Heavy rain will fall over southern Portugal. Showers will occur along the east coast of Spain, Sardinia and Sicily.

Five-day forecast

On Wednesday, northern Europe will turn much colder. Piercing winds and local snow will accompany the wintry air. Generally, it will continue calm with night frost from Holland to northern Poland. A disturbance will trigger snow over central Europe. Showery and mild conditions will prevail over Italy, Slovenia and Croatia.

Later this week, Greece will have torrential rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	27
Accra	shower	30
Algiers	sun	17
Amsterdam	fog	2
Athens	fair	10
Atlanta	sun	12
B. Aires	fair	24
B.ham	fog	4
Bangkok	fair	29
Barcelona	rain	13
Beijing	fair	5
Belfast	fair	8
Belgrade	fog	-2
Berlin	ice	1
Bermuda	shower	21
Bogota	shower	19
Bombay	sun	33
Brussels	fog	1
Budapest	cloudy	-1
C.hagen	drzzl	6
Cairo	fair	16
Cape Town	sun	29
Caracas	fair	30
Cardiff	fog	4
Casablanca	shower	16
Chicago	snow	-6
Cologne	fog	1
Dakar	sun	26
Dallas	fair	18
Delhi	sun	24
Dubai	sun	28
Dublin	fair	8
Dubrovnik	fair	12
Edinburgh	cloudy	6
Faro	rain	15
Frankfurt	fog	0
Geneva	cloudy	0
Gibraltar	rain	15
Glasgow	fog	4
Hamburg	drzzl	4
Helsinki	cloudy	-2
Hong Kong	fair	21
Honolulu	fair	29
Istanbul	shower	8
Jakarta	shower	29
Jersey	cloudy	8
Karachi	sun	28
Kuwait	fair	21
L. Angeles	fair	20
Las Palmas	fair	21
Lima	cloudy	24
Lisbon	shower	13
London	fog	7
Lux.bourg	fog	-2
Lyon	fair	2
Madeira	fair	19
Madrid	rain	10
Majorca	cloudy	18
Malta	shower	16
Manchester	fog	5
Manila	shower	28
Melbourne	shower	20
Mexico City	fair	23
Miami	sun	23
Milan	fair	8
Montreal	snow	-13
Moscow	snow	-8
Munich	cloudy	0
Nairobi	fair	26
Naples	shower	13
Nassau	fair	25
New York	fair	-6
Nice	cloudy	14
Nicosia	shower	12
Oslo	cloudy	3
Paris	fog	0
Perth	fair	30
Prague	snow	-2
Rangoon	sun	31
Reykjavik	sleet	5
Rio	shower	26
Rome	fair	14
S. Frsco	shower	15
Seoul	fair	8
Singapore	shower	30
Stockholm	cloudy	2
Strasbourg	fog	-1
Sydney	thund	21
Tangier	shower	16
Tel Aviv	rain	14
Tokyo	fair	13
Toronto	cloudy	-9
Vancouver	rain	7
Venice	fair	9
Vienna	snow	-1
Warsaw	snow	1
Washington	fair	-2
Wellington	shower	19
Winnipeg	fair	-19
Zurich	fog	-1

FINANCIAL TIMES
COMPANIES & MARKETS

Monday December 11 1995

MARKETS THIS WEEK

PHILIP COGGAN:
GLOBAL INVESTOR
Emerging markets, who needs them? From being everyone's favourite investment sector in 1993, the stock markets of the developing countries have taken a back seat to this year'a real growth story – corporate America. But after two years of underperformance, 1996 could represent a better buying opportunity than most. Page 24

MARTIN WOLF:
ECONOMIC EYE
Recorded crime in the UK is up 70 per cent since 1981, but has fallen nearly 10 per cent since 1992, to the delight of Mr Michael Howard, the home secretary. His joy over this decline may well prove premature. But his belief that harsher sentences do deter crime is not as irrational as many critics argue.
Page 24

BONDS:
Activity in the syndicated loans market shows little sign of abating, although the number of new deals is likely to slow ahead of the year-end.
Page 26

EQUITIES:
The speed and efficiency of the UK government's sale of its remaining stake in British Petroleum through a "bought deal" last week has sparked e debate about whether the time-consuming book-building process is the best way to execute equity offerings. Page 28

EMERGING MARKETS:
Capital markets, one of the missing pieces in Romania'e post-communist reforms, are poised to take off In Bucharest after an absence of half a century. Page 25

CURRENCIES:
The Bank of England and the Bundesbank will be in the limelight this week as markets wait to see whether lower interest rates are in store.
Page 33

COMMODITIES:
The New York cotton market has been pretty well becalmed in recent weeks and traders are awaiting the next US Department of Agriculture crop estimate, which is to be released today.
Page 24

INTERNATIONAL COMPANIES:
The Zurich Stock Exchange's commission said on Friday it was launching an internal investigation into possible insider trading before Elektrowatt, Switzerland's largest electricity generator, made its SFr950 a share bid on Thursday for Landis & Gyr, the electronics group. Page 22

UK COMPANIES:
Granada, the TV and leisure group which is in the midst of a £3.2bn hostile bid for Forte, has had discussions with the Takeover Panel about the hotel group's disposal programme. Page 22

STATISTICS

BAT loses ITC boardroom battle

Indian tobacco group rejects opposition from the UK over appointment of chairman

By Kunal Bose in Calcutta

BAT Industries, the UK tobacco and financial services group, yesterday lost a boardroom battle over the chairmanship of ITC, India's largest tobacco group in which it bolds a stake of almost 32 per cent.

The ITC board, snpported by Indian institutional shareholders which own 38 per cent of ITC, brushed aside BAT's opposition and appointed Mr Yogesh Chander Deveshwar executive chairman.

BAT's two representatives on the ITC board, Mr Norman Davis and Mr Richard Pilbeam, were grim-faced as they left the meeting. However, it is understood they registered their dissent at Mr Deveshwar's appointment. Mr Deveshwar, currently vice-chairman, will succeed Mr Krishan Lal Chugh who retires this month after losing BAT's confidence. Mr Chugh had backtracked from a commitment to help BAT acquire 51 per cent of ITC. Mr Deveshwar's appointment is for five years.

At this weekend's nomination committee meetings, BAT representatives again suggested it would be in ITC's interest if an internal candidate hecame chief executive while a distinguished outsider was appointed chairman.

The institutions argued the company had been growing and there was no need for a change. BAT had been hoping the Indian institutions would see its point of view and there would be a "consensus chairman". The UK company is likely to express reservations about the appointment to the finance ministry. BAT said it would have preferred to have split the roles. But having failed to persuade shareholders of that, it was looking forward to working with the new management.

In India, the contest had become a political issue. After it was clear Mr Chugh had to step down, he suggested ITC should escape UK control to become India's first multinational.

However, a senior ITC executive said yesterday: "The financial institutions have overlooked the point thet there is no executive director who enjoys the confidence of all [shareholders]. An outsider chairman could have played the role of holding the team together. Restructuring is not yet over. A divided house is not going to be of help. We also need a strong input from BAT if we are to make anything of the financial services business."

Mr Deveshwar, who joined the company in 1968 but was chairman and managing director of Air India for more than two years before returning to ITC as vice-chairman in 1994, promised he would discharge his responsibilities.

The ITC executive warned: "He can work effectively provided he wins back BAT's confidence. He must also ensure that there is no exodus of executives from the company."

L'Oréal expands with $660m acquisition of Maybelline

By Tony Jackson in New York and John Ridding in Paris

L'Oréal, the French cosmetics company, is to pay $660m for Maybelline, the US cosmetics company part-owned by the New York investment house Wasserstein Perella. The bid values the shares at $36.75 each, and includes the assumption of $150m in debt. Maybelline's shares closed on Friday at $31¼, having risen 16 per cent in two days on bid speculation.

Maybelline, the second biggest US cosmetics company after Revlon, makes mass-market products. L'Oréal said the acquisition would extend its range in the US, complementing its presence at the high end of the market.

The purchase of Maybelline follows L'Oréal's acquisition in October of Jade, the German cosmetics company. The deal reflected a similar strategy of extending L'Oréal's presence.

Wasserstein Perella, which bought Maybelline in 1990 from the drug company Schering-Plough for $300m, said it would sell its remaining 29 per cent stake to L'Oréal at the bid price of $36.75. It said that after special dividends and share buy-backs totalling about $160m, the residual cost of its shares was $5 each.

Wasserstein's ownership of Maybelline has at times proved controversial. Having taken the company public in 1992, it distributed 50 per cent of the equity last year as a form of payment to its investors, reducing its own stake from 70 per cent to 20 per cent. Two days later, Maybelline issued a profits warning and its shares fell from $30 to under $20.

Wasserstein, which had four representatives on the Maybelline board including co-founder Mr Bruce Wasserstein as chairman, said it had been unaware of the profits warning, and paid investors about $10m in compensation. It subsequently bought back 9 per cent of the company at prices below $20.

Yesterday's deal confirms the Maybelline acquisition as one of the Wasserstein fund's most successful investments. Its record since being set up in the late 1980s with $1bn capital has been patchy, including the disastrous acquisition of Gateway, the UK food retailer. However, Wasserstein said yesterday that the fund's US investments had achieved a compound return of 40 per cent a year.

L'Oréal, which will pay for Maybelline in cash, said it expected the acquisition to have a slightly positive impact on group profits next year. In the first nine months of 1995, Maybelline's net earnings rose 4 per cent to $16m on sales up 6 per cent at US$287m. In October, L'Oréal announced pre-tax profits up 5.5 per cent at FFr2.75bn (£350m) for the first half of the year.

Bruce Wasserstein: paid $300m for control of Maybelline in 1990

Ex-Barings chief to get ING consultancy fee

By Nicholas Denton in London

Mr Andrew Tuckey, deputy chairman of Barings when the UK merchant bank collapsed, is to receive at least £100,000 for his continuing employment as a consultant to the group's corporate finance arm.

Altbough Barings' business dealing in futures and options lost £830m through Mr Nick Leeson's unauthorised trading, the department advising on acquisitions has enjoyed record profits and its executives are expected to earn large 1995 bonuses.

Corporate financiers are expected to divide a bonus pool of £10m-£15m after generating £50m in fees advising on transactions such as Wellcome's £9bn sale to Glaxo. Costs were about £20m.

Mr Tuckey, who resigned as deputy chairman after Barings was sold for £1 to Internationale Nederlanden Groep, the Dutch bank, will not directly share in the division's profits. But he will receive a stipend of £100,000 for his one-year consultancy contract, which expires in summer 1996. Any further payment to Mr Tuckey, to reflect his work on Lloyds Bank's £6.5bn acquisition of the TSB Group, is at the discretion of ING.

After the Barings collapse, Mr Tuckey did not collect his proposed 1994 bonus of £1.65m. However, although some other members of the Barings group board agreed collectively to waive bonuses, they are understood to have received payments from ING as well as their basic salary.

Remuneration of Barings executives, even when motivated by ING's desire to preserve the businesses it acquired, has irritated investors in Barings who lost as a result of the bank's failure.

"It is quite wrong of Barings to pay a single penny in the way of bonus to anyone involved in the bank's collapse," said Mr Alistair Darling, Labour's City spokesman.

Mr Tuckey, who was chairman of Barings investment bank as well as deputy chairman of the group, is under investigation by the Securities and Futures Authority, the securities industry regulator, for the management responsibility he bore in the bank's collapse.

The SFA is following up the Bank of England's criticism of Mr Tuckey in its report on Barings. The Bank's board of banking supervision said Mr Tuckey shared responsibility for Barings' failure to question the futures business being run by Mr Leeson in Singapore.

Among executives criticised by the Bank of England, Mr Tuckey is the sole survivor at ING Barings, the merged investment bank. Although many colleagues believe his employment is an embarrassment, his relationships with corporate clients are thought an asset.

Rescue proposal made for Brazil bank

By Jonathan Wheatley in São Paulo

Banco Econômico, Brazil's eighth-biggest bank until it was taken over by the central bank in August with a liquidity gap of more than $3bn, may soon reopen if a rescue package proposed on Friday gains government approval.

The proposal was submitted by Excel Banco, a wholesale bank based in São Paulo, in association with an unidentified Swiss institution. They propose buying Banco Econômico and its non-banking interests for R$350m (US$362m), more than two-thirds of which would be provided by Excel, according to its president, Mr Ezequiel Nasser.

The remaining capital required to cover Econômico's liquidity shortfall would be provided to a low-interest central bank loan under a programme, known as Proer, totrodnced to November to facilitate mergers and acquisitions in the banking industry. Mr Nasser said the amount had yet to be agreed. Analysts said about R$2.8bn would be needed.

"We will meet the central bank's Proer committee on Tuesday to discuss the proposal and if all goes well we expect approval by Christmas," Mr Nasser said. He said Excel submitted a letter of intent to the central bank two months ago and completed a "due diligence" study of Econômico in November. The Swiss institution would only be identified once the proposal gained approval.

If the deal goes ahead it would be the third acquisition to benefit from the Proer programme, following the takeovers of Banco Nacional by Unibanco and of Banorte by Banco Bandeirantes.

Mr Nasser said Econômico would retain its name and the bank's 250 branches would open in phases starting in January, although some loss-making branches would not reopen.

The proposal includes the purchase of Econômico's interests in petrochemicals and steel, valued at about R$700m and beld by a subsidiary company. Mr Nasser said the company had debts of about the same value bnt that Excel would buy the assets, in accordance witb the central bank's wish to sell all Econômico's interests at once.

Other Brazilian and foreign banks are known to be interested to buying Econômico but none bas yet made any formal approach to the central bank.

This week: Company news

US ULCER THERAPIES

FDA ruling could settle shape of $5bn market

The shape of the $5bn-a-year US ulcer drug market could be settled on Wednesday when an advisory committee of the Food and Drug Administration (FDA) considers new ulcer therapies from two of the world's biggest drugs companies, Glaxo Wellcome of the UK and Sweden's Astra.

Astra is offering a combination of its top-selling ulcer drug Losec in combination with clarithromycin, an antibiotic made by US drugs company Abbott Laboratories.

Glaxo Wellcome has a new drug, Pylorid, in combination witb either clarithromycin or amoxycillin, another antibiotic, whicb is made by several different companies.

The combination nf existing ulcer drugs with antibiotics is designed to eliminate a kind nf bacteria called *helicobacter pylori* whicb has been associated with ulcers.

Analyst believe the FDA advisory committee is likely to give the go-ahead to both companies' drug/antibiotic combinations.

"There is probably some use of the combinations already in the US," said Mr Peter Laing, analyst with Salomon Brothers in London.

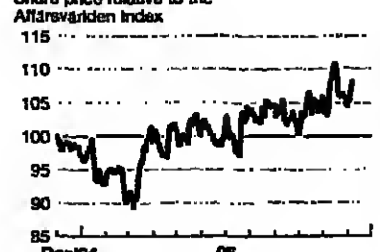
This is largely because the US National Institutes of Health, the US government's medical research body, said in February 1994 that all peptic ulcer sufferers should take antibiotics with their patent ulcer treatments.

Pylorid, which would be called Tritec in the US if approval is granted, is a molecule related to Zantac, Glaxo Wellcome's ulcer drug that has been the world's best-selling medicine since the mid-1980s.

Clinical trials suggest that Astra's Losec, which belongs to a class of drugs called proton pump inhibitors, is mnre effective than Zantac, which belongs to an older class of drugs called H2 antagonists.

Astra

Share price relative to the Affärsvärlden Index



Source: FT Extel

UK RECS

Shareholders poised for a bumper week

Shareholders in several UK regional electricity companies (recs) should be in for a bumper week receiving shares in the National Crid and the promise of large dividends.

East Midlands Electricity is expected to announce a special dividend of up to 100p a share at a cost of almost £200m ($308m) when it reports its first-balf figures on Wednesday.

Analysts expect Southern Electric to follow Midlands Electricity's lead last week by announcing a special dividend when it reports nn Thursday. Southern and Midlands did not announce special dividends before because they were the subject of offers. But the bids were referred to the Monopolies and Mergers Commission last month.

Midlands announced a 100p a share special dividend and a 32 per cent rise in its ordinary interim dividend. While some analysts expect Southern to match Midlands, others say Southern may feel constrained by its advance corporation tax position which would make a large payment less tax efficient.

London Electricity, whicb announces figures on Thursday, said last month that it would pay a 100p a share special dividend. It also said it would increase annual dividends by about 20 per cent this year. Northern, on Tuesday, is expected to lift its dividend by about 7 per cent, while Scottish Hydro on Thursday is fnrecast to raise its by about 9 per cent.

OTHER COMPANIES

Pechiney share offer closes on Tuesday

■ **Pechiney:** The offer closes on Tuesday for the sale of shares to the public in the privatisation of Pechiney, the French aluminium and packaging group, at FFr187 each. The government decided to proceed with the sale to maintain the momentum of state sell-offs and avoid any embarrassing delay, but was forced to scale down the issue in response to weak demand and investors' concerns about the size of a planned capital increase.

■ **French steel merger:** Sharehnlders meet nn Tuesday to formally approve the merger of Ugine, one of the world's largest stainless steel producers, with Usinor Sacilor, the French steel group privetised this summer. Usinor, which rednced its stake in Ugine from 95 per cent to 59 per cent less than two years' ago, launched an offer at FFr400 a share to buy the group back as part of its long-term strategy.

■ **David S. Smith:** Paper and packaging companies worldwide have had a poor second half, and although Smith of the UK is expected to report stronger interim results on Wednesday, everyone will be focusing on the group's statement on current trading. Half-year profits are expected to reach about £60m ($92.4m), against £40m a year ago.

■ **MFI:** The UK furniture maker and retailer is expected to report a a sharp fall in interim profits on Wednesday. Profits are forecast to be down from £29m ($45m) to a consensus of £18m-£20m, although there are several forecasts outside this range.

■ **Chubb Security:** The UK electronic alarms and locks group, is expected to report an increase in interim profits on Wednesday to £44m ($68m) from £39.2m. However, figures for sales growth will be more closely watched.

■ **Asda:** The UK food group which came close to collapse four years ago but is now threatening to overtake Argyll as the UK's third-biggest food retailer, is expected on Thursday to announce another strong interim trading performance. Analysts forecast pre-tax profits of about £135m ($208m) – up 24 per cent on last year's £108.7m.

■ **Trafalgar House:** The struggling UK engineering and construction conglomerate is likely to unveil the worst figures of the week, if not the season, when it announces annual results on Friday. It has warned that second-half operating loss will be "considerably worse" than the £14.9m ($23m) deficit recorded in the first half.

Companies in this issue

Granada asks Panel over Forte disposals

By Motoko Rich

Granada, the TV and leisure group which is in the midst of a £3.2bn hostile bid for Forte, has had discussions with the Takeover Panel abont the hotel group's disposal programme.

The leisure group has asked the Takeover Panel to insist that Forte obtain shareholder approval for any disposal it makes during the hid period.

Granada appears to be concerned thet the hotels and catering group remain intact during the hid. It is believed that it is particnlarly concerned about Forte's plans to sell the White Hart hotel chain for an estimated £100m. It is believed that the management of the chain is interested in buying the business.

The group has also announced its inteotion to sell the Travelodge chain in the US. Earlier this year Forte said it hoped to sell the chain of 490 hotels at a healthy premium to the book value of $150m (£94.9m). Under Takeover Panel rules, any disposal worth 10 per cent or more of net asset value must be approved by shareholders. However, Granada is believed to be concerned that some smaller disposals would undermine the value of the gronp, and therefore should also be cleared.

Sources close to Forte, which has net assets of about £4bn, said Takeover Panel rules were clear that any transaction which bad been in progress before the hid was launched could continue as planned, provided the deals were close to conclusion.

Forte is understood to he conducting talks this week on whether the White Hart or Travelodge disposals would fall under such provisions.

Since the hid was launched on November 23, Forte has already agreed the disposal of Griersons, its wine and spirits distributor for £29.5m to Matthew Clark, the drinks group, and Lillywhites, the sports retailer, for £28.5m to Jeronimo Martins, an intarnational retailer listed in Portugal.

The hotels group has also announced plans to demerge its restaurant side into an independent company. Commenting after Forte published its defence document on Friday, Mr Gerry Robinson, Granada's chief executive, said "reshuffling the portfolio into two weak companies is no solution."

The group is believed to be considering total disposals worth about £400m.

Trevor Humphries

Gerry Robinson: two weak companies is no answer

Polish bank domestic share offer well met

By Christopher Bobinski in Warsaw

The Polish government's success with the domestic placement of shares in the state-owned Bank Gdanski has surprised a torpid domestic market and paved the way this week for the completion of the offer abroad through Global Depositary Receipts (GDRs).

However, the price of 24 zlotys per share, set after a book-building exercise abroad by HSBC and Daiwa Europe, the joint iead managers for the offer, marked a reduction on the expected 27 to 30 zloty price range.

"This sbows that Polish investors believe in their country's economy," said Mr Krzysztof Kalicki, deputy finance minister, following the announcement on Saturday that the domestic offer of 6.5m shares priced at 24 zintys had been 30 per cent nversubscribed.

Strong local demand forced the government to transfer shares from the foreign tranche, allowing domestic investors to purchase 7m shares worth a total of 168m zlotys ($67.2m). This leaves 5.9m shares or 31 per cent of the bank's equity for investors abroad in Poland's first GDR placement.

However, local demand for the Bank Gdanski, whicb reported a 112m zloty net profit last year, was boosted by tax relief provisions which permitted people who bought np to 2,194 zlotys-worth of sbares to set the expense against income tax. Also a credit scheme allowed investors to defer payment for the shares. At the same time the offer saw significant purchases hy local institutional investors.

"Some local institutions acted to show their support for market methods and a protest against arbitrary moves by the government," said Mr Wilfried Schmidt from Daiwa Europe. He was referring to a recent government decision to transfer a 46 per cent residual Treasury-owned stake in tbe privatised Krakow-based Bank Przemyslowo Handlowy (BPH) to one of two large banking groups planned under a consolidation programme.

This would see the amalgamation of three state-owned regional banks in two gronps beaded by tbe state-owned Bank Handlowy and the PKO SA. A fifth of the shares in the two groups would be offered for sale in 1997.

The plan is designed to speed up the commercial bank privatisation programme which will have seen the disposal of the Bank Gdanski and the BPH this year. The sale nf Warsaw's Powszechny Bank Kredytowy (PBK) is expected next year and the Bank Zachodni (BZ) in 1997.

Trading before Landis & Gyr bid faces probe

By Thierry Meyer

The Zurich Stock Exchange's commission said on Friday it wae launching an internal investigation into possible insider trading before Elektrowatt made its SFr950 per share bid for Landis & Gyr, which was announced on Thursday.

Mr Joseph Brem, Zurich's commissioner for the Stock Exchange, said the investigation was "routine" for any event of "extraordinary volume".

"In the next days, we will check our records and look into the development of prices and trading volumes in the last period of trade," he added.

Analysts in Switzerland, who ware surprised hy the offer from Elektrowatt, Switzerland's largest electricity generator, said the bid had been "a wall-kept secret". They also praised the move as "making a lot of sense".

Elektrowatt's shares rose sharply on Friday, by SFr19 to SFr372. Landis & Gyr closed at SFr940, up SFr210, only SFr10 short of Elektrowatt's offer. The main huyer was Crédit Suisse, which has a significant stake in Elektrowatt through its parent, CS Holding.

BB Industrie Holding, a division of the Bellevue group, said it had not yet decided what to do with its 7.2 per cent stake. Mr Hansjoerg Graf, Bellevue Asset Management chief executive, said: "Although we will probably sell it at some time, we have until mid-February to make a decision."

Siemens of Germany said it would not counter-bid Elektrowatt's offer. ABB, the Swiss-Swedish industrial giant, would not comment on any counter-offer.

Landis & Gyr's largest shareholder, Unotec Holding, has already sold its 35 per cent stake to Elektrowatt and the Gyr family has agreed to sell its 5 per cent stake. In line with EU and Swiss rules, Elektrowatt cannot buy more shares until the offer closes and its conditions are met. It must be tendered at least 70 per cent of Landis & Gyr shares and EU cartel authorities must approve the deal.

Mr Oskar Ronner, Elektrowatt's chief executive, has said the takeover would bring "vigorous synergies". He intends to merge Staefa Control System, its building control subsidiary, with Landis & Gyr'e Commercial Building division. Staefa Control System is the world's fourth-largest business in the sector, behind Honeywell and Johnson Controls of the US and Landis & Gyr.

Security and building control systems account for 45 per cent of Elektrowatt's SFr5bn turnover – but for only 32 per cent of operating profits. Electricity accounts for 38 per cent of Elektrowatt's turnover and 79 per cent of operating profits.

Mr Beat Kunz, analyst at Bank Baer, said the move was "a sensible strategy that will boost Elektrowatt's industrial side, with higher growth rates than can be achieved in the power generation side".

GrandMet faces US challenge over vodka trademark

By Roderick Oram, Consumer Industries Editor

Grand Metropolitan's nse of the Smirnoff trademark in the US, where it is tbe leading vodka hrand, is to he challenged in court hy descendants of Peter Smirnoff, snpplier of vodka to tbe last Czar.

The family group led by Mr Boris Smirnoff, one of Peter's great grandsons, claimed GrandMet, the UK food and drinks company, had no right to the name or to claim a link with Peter's vodka business.

The family members filed suit in a Delaware court on Friday asking it to declare void GrandMet's US trademarks oo Smirnnff.

The US action follows similar litigation in Russia by the Boris Smirnoff group. GrandMet lost some recent rounds in the Rnssian patent agency and in tbe sootbern city of Krimsk.

GrandMet said it bad tbe backing of a larger group of Smirnoff family members and it was confident in would prevail in court.

It said its Heublein subsidiary bonght the rights to the Smirnoff name in 1933 from an American businessman wbo had acqnired them shortly before from Vladimir Smirnoff, a son of Peter.

The Boris Smirnoff gronp said they have family docnments showing that Vladimir had sold his share of the business to his eldest brothers in 1904.

Chiroscience in talks on technology joint ventures

By Motoko Rich

Chiroscience, the UK biotechnology company, is in discussions with leading generic drug makers about technology joint ventures, which could add as much as £50m to group sales by the year 2000.

The group believes that it can create a new market opportunity by adapting the technology it uses to purify existing drugs or develop new ones to help generic companies manufacture pharmaceutical products as they come off patent.

Chiroscience was originally known for its capabilities in purifying older drugs that were sold as a mixture of two, virtually identical, chemical structures. It separated the two structures in order to eliminate the one that produced more side effects or was less effective.

The group has also developed this "single isomer" technology for the invention of new drugs.

Dr John Padfield, chief exec ntive, said many hranded drug companies would try to extend their pateots hy filing "process patents" whicb could hlock generics groups from making the products.

He said Chiroscience could develop its unique technology to make the drugs under alternative processes which would be more cost effective.

The group believes that the biggest generic opportunity will be in the US, where healthcare reform will mandate further cost efficiency.

Chiroscience has already tested its technology on the development of (s)-naproxen, a generic form of an anti-inflammatory drug made by Roche, the Swiss drugs company.

Dr Padfield said the group could obtain about 10 per cent of the generic market with its technology.

He said revenues from generic ventures would be ploughed back into the group's drug development programme.

Last year technology services contributed £1.67m (£733,000) to sales of £2.11m (£756,550).

Echo Bay rules out Cluff bid

By Geoff Dyer

Echo Bay Mines, one of North America's biggest gold and silver producers, has ruled itself out of a hidding war with Asbanti Goldfields for Cluff Resources, the UK-based company with goid mining operations in Africa.

On Thursday, Ghana-based Ashanti announced an £80m recommended paper and cash offer for Cluff, valuing the shares at 105p each.

Echo Bay, which bought a 5 per cent stake in Cluff in May at 60p per share, had been considered the most likely candidate to mount a higher bid. Mr Algy Cluff, the UK company's chairman, admitted that Cluff and Echo Bay had been in "constant discussions" since the summer.

Denver-based Echo Bay said that it would not launch a bid, bnt was yet to decide wbether to accept Ashanti's offer for its stake in Cluff. Analysts have not ruled out another bidder but now think it would be unlikely.

On Friday, Ashanti, in which Lonrho, the UK conglomerate, has a 41 per cent stake and the Ghanaian government owns 29 per cent, purchased anotber 2.5m shares in Cluff at 105p, taking its stake to 29.9 per cent.

Ashanti's shares, whicb are traded in London and Accra, were up 75p on Friday at 2025p. Shares in Cluff, which had a market capitalisation of £7m only two years ago, closed 2p higher at 106p.

Mr Cluff, who has a 2.5 per cent stake in the company plus options, stands to gain over £2m if the Ashanti offer is accepted.

Dana sights London quote

By James Harding

Dana Petroleum, wbich produces oil in western Siberia in partnership with some of Russia's largest energy companies, is expected to announce today its intention to list on the London Stock Exchange.

The company plans to come to market on December 19, with an existing market capitalisation of £20m, and is seeking to raise a further £16m in a new equity issue.

Shares in Dana are already traded on Ireland's ESM exchange with a market capitalisation of I£19m (£19.6m).

Mr Tom Cross, chief executive, says Dana needs to raise the money to accelerate production at its Siberian fields and to build relations with its Russian partners, Lukoil Kogalymneftegaz and Yukos.

"If we are serious about the oil business we have to be able to play with the big boys. We got in early in Russia and so we are in an exceptional position in having very strong partners, but if we do not take advantage of that they will start looking elsewhere," he said.

According to Mr Cross, Lukoil, for example, has only three foreign partners in Siberia – BP, Agip and Dana.

Dana is currently involved in two projects in Russia's oil rich region. It holds a 50 per cent stake in the south Vat-Yoganskoye field, which has proven and probable reserves of 34.7m barrels. Lukoil Kogalymneftegaz, Megionneftegazgeologiya and the Siberian Oil Corporation are partners in the joint venture.

At Sortymskoye, Dana has a 30 per cent share in an operation working with Yukos, among others, on a field of 57.3m barrels.

Dana was previously a gold mining company listed in Ireland and was the subject of a reverse takeover last year by TM Oil, the company headed by Mr Cross and Mr Charles Smith, the chairman and former managing director of Chevron UK.

In Ireland, Dana's shares have been trading at about 10p and the company says it does not expect the shares to list in London at much of a discount.

Brokers to the issue are Henderson Crosthwaite and the Pathfinder prospectus is issued by Guinness Mahon.

Salomon Inc adds three to its board

By Maggie Urry in New York

Salomon Inc, the parent of the Salomon Brothers investment bank, has added three new members to its board, each of whom has experience in the subsidiaries' most important areas of business. The appointments take effect from February 7 next year.

The group has had relatively few executive directors on the holding company board. It is adding Mr John Haseltine, who is a member of the Salomon Brothers operating committee and is in charge of the firm's global fixed income activity, and Mr Shigeru "Sugar" Myojin, who is vice-chairman of Salomoo Brothers and responsible for the firm's proprietary trading business worldwide.

Fixed income and proprietary trading, where the firm takes positions with its own capital, have been the firm'a two core businesses for many years. Much of the company's capital is devoted to the two activities. Mr Haseltine has been with Salomon since 1976 and Mr Myojin since 1979.

The non-executive contingent on tbe board, which includes Mr Warren Buffett, chairman of Berkshire Hathaway, a significant shareholder in the company, is also being strengthened hv the addition of Mr David Maxwell.

Mr Maxwell was chairman and chief executive of the Federal National Mortgage Association (Fannie Mae) for 10 years until his retirement in 1991. He is now 65 and sits on the boards of a number of companies.

His time at Fannie Mae gave Mr Maxwell an understanding of the fixed income markets, derivatives and risk, all important to Salomon, an official said.

A little fillip in the face of gloomy prospects

Analysts are bemused by rises in German construction group shares, reports Michael Lindemann

Shares in big German construction companies have shown new signs of life in receot weeks, providing a little tonic for the companies themselves, hut mystifying most analysts, who say the next 18 months will bring no good news from Europe's biggest building market.

"The signs are that 1996 is going to be significantly worse than 1995," says Mr Andreas Neubauer, a construction analyst at Deutsche Morgan Grenfell in Frankfurt.

That is bad news for a sector which this year alone has underperformed tbe DAX index by 37.7 per cent. Since 1990, shares in German building compaoies – including such names as Holzmann, Hocbtief, Bilfinger + Berger and Strabag – have trailed the DAX hy 38.5 per cent.

In recent weeks, however, shares in all the big companies have risen slightly. Holzmann was trading at about DM526 on Friday, up from the year's low of DM481, while Hochtief was at DM531, up from DM547.

Speculation ahout the recent pick-up is rife, including the suggestion, dismissed by most analysts, that some German institntional investors may bave bought construction stocks to nudge up the value of their existing holdings before the end of the accounting year in late December.

Dozens of construction companies have been signalling problems in recent weeks

Mr Neuhauer suggests the recent upward trend is caused by two possihle factors. For one, the constructlon stocks have been undervalued. Strabag, the worst performer among tbe big foor, was trailing the DAX by 53 per cent this year, he says.

If the shares are indeed undervalued then the latest movement is merely a "technical reaction" and likely to have beeo short-lived.

A second possibility is that tbe market is cootemplating the prospects for a substantial improvement in the German construction busioess some time in 1997.

Deutsche Morgan Greufell estimates that real investment in construction will fall 0.3 per cent oext year, down from 1.4 per cent growth this year, hut pick up again by a modest 0.8 per cent in 1997.

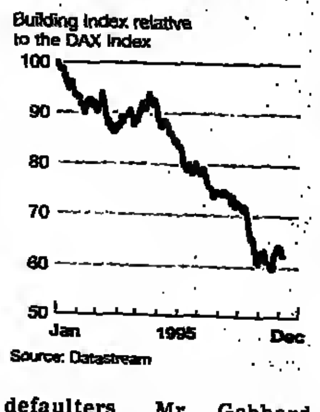
That forecast will only be reflected in companies' results in 1998, but the market may already be putting out its feelers, Mr Neubauer says.

There may be some respite before then, however. Dozens of construction companies of all shapes and sizes have been signalling prohlems in receot weeks, ranging from the Austrian Maculan group which overreacbed itself in eastern Germany to smaller, family-run companies guilty of doing the same.

Given the rising number of defaulters, Mr Gebhard Klingenstein, a construction analyst at BZW in Frankfurt, expects margins in the construction business to improve towards the end of next year.

Whether that is the case remains to be seen. The area that has been worst hit is the west German residential coostruction market, where tax incentives have recently been scrapped.

German construction



Source: Datastream

The smaller companies whicb dominate this business may, therefore, come looking for new orders in the commercial market dominated by the bigger players. While larger projects remain unaffected it is possible that desperate smaller construction companies could further depress margins on the smaller commercial jobs.

While gloom settles over the German market it seems that only those companies with strong international activities bave any real prospects of picking up.

Leading the way, according to several analysts inclnding Mr Ingbert Faust of UBS in Frankfurt, is Bilfinger + Berger, the Mannheim-hased group, where international husiness last year accounted for 42 per cent of construction output.

Hochtief, the Essen-based group which is still locked in a battle to take over its bigger rival Holzmann, is not far behind with 35 per cent of output coming from bnsiness abroad.

Former Alliance Resources director receives setback

Mr John O'Brien, former chief executive of Alliance Resources, the US-based oil and gas company, has lost his application to discharge an injunctioo which freezes his financial assets, writes Motoko Rich.

Alliance, which has accused Mr O'Brieo of fraud, applied to the UK High Court for the injunction following his departure from the group in September.

The group said it would continue to pursue its fraud case in the High Court and would be seeking legal action against off-shore companies in which it claims Mr O'Brien failed to declare his interest while chief executive of Alliance.

A date has oot been set for the fraud trial.

Mr O'Brien said he was disappointed in the court's decision. He said: "I am determined in fight back and I will strenuously defend myself oo trial. I bave lost tbe battle not the war."

Microsoft stakes a claim in the Internet goldrush

The group is redirecting a substantial portion of its resources to development of Internet software

"The sleeping giant has awakened," said Bill Gates, chairman of Microsoft, the world's largest software group, as he announced a radical change of strategy aimed at overtaking competitors in the burgeoning market for Internet software.

In spite of its domination of the personal compnter software business, with a greater than 80 per cent share of many market segments, Microsoft has, until now, demonstrated limited interest in the Internet.

As tens of millions of PC users linked their computers to the global web of computer networks over the past two years, newcomers such as Netscape Communications established themselves as the leading suppliers of Internet software without direct competition from the PC software industry leader.

No longer. By embracing Internet standards, licensing technology from rivals and incorporating Internet access software in many of its products, Microsoft aims to become the Internet software market leader and standards setter.

"We see one of our key roles as providing integration and continuity between the PC and the Internet," said Mr Gates, "so customers can leverage their existing investments in PCs and take advantage of new investments in the Internet."

While declining to directly acknowledge that Microsoft was slow to recognise the significance of the Internet, Mr Gates said he is now redirecting a substantial portion of Microsoft's resources to development of Internet software.

Announcing technology licensing agreements with rivals Sun Microsystems and Oracle, and demonstrating products that are to be introduced over the next 12 months, Microsoft is staking its claim in what Mr Gates called the "Internet goldrush".

Industry analysts viewed Microsoft's plans as a serious challenge to start-up companies that have blazed the trail in developing software for the Internet

Microsoft would "support and enhance" the Internet by making it an integral part of persooal computing, Mr Gates said. He demonstrated, for example, an add-on product designed to work with Windows 95, the company's flagship PC operating system, which will enable PC users to access information on the Internet as easily as calling up a file from their own office computer system.

The software, which will be made available free of charge to Windows 95 users next year, would also enable two PC users to collaborate, via the Internet.

It might be used, for example, by people wanting to work together to create or edit a document, or to update a budget. Another feature of the program will provide press-button telephone calls, for voice or data, over the Internet.

A future version of Windows, expected in 1997, would provide an Internet-styla user interface. In other words, Windows will take on the appearance of an Internet browser.

Mr Gates said Microsoft would also incorporate Internet access software in other programs, such as its widely used suite of business applications, called Office.

The Microsoft Network, a proprietary online service launched in August, will be realigned. It will become an Internet "community", offering subscribers exclusive, free or discounted access to specific information resources on the Internet.

These announcements represent a climbdnwn for Microsoft, which until now has been able to impose its own proprietary standards in the personal computer industry.

Nonetheless, industry analysts viewed Microsoft's plans as a serious challenge to start-up companies that have blazed the trail in developing software for the Internet. Ultimately, however, Microsoft is expected to expand interest in the Internet, to the benefit of all market participants.

Bill Gates: aiming to make Microsoft the standards setter

Moreover, Microsoft's moves to adopt Internet technology developed by rivals – by licensing software from Oracle and Sun Microsystems – has eased industry fears of a battle over evolving Internet standards.

Demonstrating a level of pragmatism seldom seen in industry leaders, Microsoft has acknowledged that its efforts to create software for the creation of online information services has been overtaken by the popularity of the Internet.

On the eve of the announcement of its new Internet strategy in Seattle on Thursday, Microsoft's executives were still trying to hammer out a deal with Sun Microsystems to license Sun's Java programming language, which enables software developers to create small application programs, or "applets" that Internet users can download and use as needed, instead of purchasing application programs from Microsoft and other PC software developers.

"This is an endorsement of Java as the de facto Internet programming language," said Mr Geoff Bayer of Sun Microsystems.

"Microsoft has now recognised that the way to compete [in Internet software] is to adopt standards and use them to address the widest possibla constituency."

Few in the computer industry can, however, afford to gloat over Microsoft'a change of tactics. The company has long triumphed by being a smart follower, rather than a trend setter.

In PC operating systems, for example, Microsoft's Windows enabled PC users to "point and click" to select an application program long after Apple Computer had pioneered the concept of "graphical user interfaces".

Louise Kehoe and Paul Taylor

Munich Re chief foresees at least maintained profits

By Andrew Fisher in Frankfurt

Munich Reinsurance, the world's largest reinsurance company, expects profits this year to be at least as high as in 1994-95, with premium income likely to stay flat as a result of its more selective business policy.

Mr Hans-Jürgen Schinzler, chairman, told the annual meeting that the financial impact of natural and other disasters was below that of the previous year. He said Munich Re would continue its profit-oriented approach to reinsurance and was prepared to accept the restricted growth opportunities because profitability would be strengthened.

"However, we still aim to be the leading reinsurer in as many potentially profitable fields as possible," he added. Although it was number nne in most Asian markets, for example, it was stepping up its efforts there and putting more underwriting authority with local offices.

The company recently reported a net profit of DM325m ($224m) for the year to June 30 1995, a rise of 8 per cent. The dividend was raised from DM12 to DM13.50 a share. Gross premium income totalled DM29bn, a marginal increase on the year before.

Mr Schinzler said the strength of the D-Mark was holding back growth this year, with reinsurance premiums expected to be lower than in 1994-95. On the life assurance side, he said Munich Re's subsidiaries were suffering from people's more limited spending power. He expected slower growth in this sector than last year.

The stagnation in real income was also holding back premium income from property and casualty insurance, where growth would thus also be behind that of 1994-95. Overall, the underwriting profit should show a slight increase.

Munich Re's investment portfolio, which rose last year by 8 per cent to DM111bn, would grow further, he said. The company has just completed a DM580m rights issue at a deeply discounted share price.

NEWS DIGEST

Setback for Lloyd's fundraising efforts

Efforts to raise extra funds for supporting insurance underwriting at Lloyd's of London next year have been set back by the failure of a plan to raise up to £60m ($91.6m) from Dutch investors. The failure of the Tulip Fund, launched in the summer, was blamed by its backers, LRG Catar Allen, a Lloyd's agency, on problems in obtaining an investment licence from tha Dutch central bank in time to meet Lloyd's deadlines. The scheme had raised only £5m. LRG Cater Allen said potential investors had been deterred by uncertainties surrounding Lloyd's.

The news confirms expectations at Lloyd's that little extra capital is likely to come forward for underwriting next year from the new generation of investment vehicles trading on limited liability. *Ralph Atkins, Insurance Correspondent*

German consortium buys Matra

A German consortium of RWE Energie, Europe's largest privately-owned utility, and Energie-Versorgung Schwaben plans to invest DM3bn ($2.07bn) in Hungary's Matra power plant. It acquired a 88 per cent stake in the plant as well as stakes in two of the country's six electricity distribution companies last Friday for an undisclosed sum. The companies were sold as part of Hungary's sweeping energy sector privatisation.

Buyers have been found for minority stakes in eight out of 14 electricity companies and for stakes of 50 per cent plus one share in four regional gas distribution companies and for a 39 per cent holding in the Budapest GDC. One regional GDC goes to a second round of bidding today. MVM, the core electricity company, which owns the national grid and the Paks nuclear plant, received a sole and qualified bid due to its nuclear component. The authorities are continuing talks with strategic investors with a viaw to holding new tenders for MVM and the generation companies. *Virginia Marsh, Budapest*

Electrolux disputes tax demand

Electrolux, the world's leading maker of household appliances, is contesting a decision by the Stockholm tax authorities to increase its tax bill for 1993 by SKr350m ($52.6m). The dispute relates to the Swedish group's liquidation of a Dutch subsidiary in 1993, which produced a surplus as proceeds were larger than the cost of buying the unit. Electrolux treated the surplus as a gain on a share divestment. The tax authorities argua the acquisition cost of the shares should be redneed by SKr1.3bn as this was the amount of tax-exempt dividends Electrolux received from the subsidiary over a 10 to 15-year period. *Christopher Brown-Humes, Stockholm*

FT/S&P Actuaries Indices

The FT/S&P Actuaries World Index Policy Committee decided at its quarterly meeting on December 8 that BTR Nylex should be deleted from tha FT/S&P AWI Australia Index with effect from December 12. The Committee also decided that National Grid should be added to the FT/S&P AWI UK Index with effect from January 1 1996. Year-end changes to the Indices will be announced shortly.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Philip Coggan

Emerging markets time may return

Emerging markets, who needs them? From being everyone's favourite investment sector in 1993, the stock markets of the developing countries have taken a back seat to this year's real growth story – corporate America.

Any global investor with a substantial exposure to the emerging markets is likely to have underperformed in 1995. In dollar terms, the IFC Composite Investible index has fallen 12.4 per cent so far this year.

The decline has been widespread. While Latin America's problems are well known, the IFC Index for the region is 20.2 per cent lower in dollar terms. Asian markets also suffered, recording a 8.9 per cent decline.

All this leaves emerging markets a long way behind the 14 per cent rise in the FT-A World Index, let alone the 34 per cent jump in the S&P 500.

The strength of the US market has been one reason behind the failure of the emerging markets to advance. The sector's sharp rise in 1993 owed much to US liquidity, at a time when share prices on Wall Street were moribund. This year, US investors have had so much excitement from their domestic market that they have had little incentive to look overseas.

Memories of late 1994, when the Mexican devaluation set off a chain reaction among emerging markets, are still fresh in investors' minds. This is particularly so in the US, which saw its southern neighbour as the premier emerging market.

"New cash flow has not been directed to Latin America in 1995 and specialist fund managers have found it very difficult to beat the indices," said Mr Andrew Macdonald, head of Latin American sales at Kleinwort Benson.

It is tempting to see the 1993-94 episode as yet another example of how investors have been lured by the promise of Latin America, only to be deeply disappointed. Earlier cases include Barings in the late 19th century, bondholders in the inter-war years, and international banks in the 1970s and 1980s.

Those emerging investors who have switched from Latin America to Asia, on the grounds that countries in the latter continent tend to have sounder trade positions, higher savings rates and more dependable currencies, have been frustrated. A series of individual problems, from corruption scandals in south Korea to sabre-rattling by China over Taiwan, hit some markets. More generally, there was evidence of overheating in the region, particularly in Thailand and Malaysia.

The Mexican episode has made investors more rigorous in evaluating country risk, rather than blindly investing in anything with the emerging markets label. Mr Nigel Rendell, head of emerging markets strategy at broker James Capel, said: "1994 showed that economic fundamentals do matter. The markets that fell the most were the ones with the most unstable economies. People haven't abandoned emerging markets, they've become more selective."

The difficulties in Mexico and Argentina have put a dent in the emerging markets "story", familiar to many investors from the plethora of specialist fund launches in the early 1990s – fast growing economies and financial liberalisation will lead to rising corporate earnings and stock market profits.

But Mr Arnab Banerji, chief investment officer of Foreign & Colonial Emerging Markets in London, thinks the bulk of the bullish case is still intact. "Market returns and earnings returns tend to correlate closely over 10 years," he said. "But over a 3 year period, it looks more like a random walk. Apart from Mexico and Argentina, emerging markets have not had recessions and have been growing at 5-12 per cent a year.

"With economic and earnings growth sustained, price/earnings multiples have tumbled. In valuation terms, emerging markets look cheap."

Others share his view. In a recent research note, Mr Michael Howell of ING Barings said: "Valued against existing liquidity or against future growth, emerging markets are the cheapest they have been for nearly 10 years."

Both Mr Banerji and Mr Rendell cite India, in particular, as a country where the rating has tumbled sufficiently to make stocks look attractive.

However, as any party host can testify, your food and drink can be of the highest quality, but they are of no use if people are not in the mood to turn up. Liquidity will remain the key to emerging markets' success.

Here too, the bulls see hope. "In 1995, we have seen easier monetary conditions in US and interest rate cuts in Europe and Japan," said Mr Banerji. "The normal sequence is that when liquidity rises, the domestic market benefits first. But in 1996, at best the US stock market will flatten, and at worst it will correct. Investors' money will start going overseas."

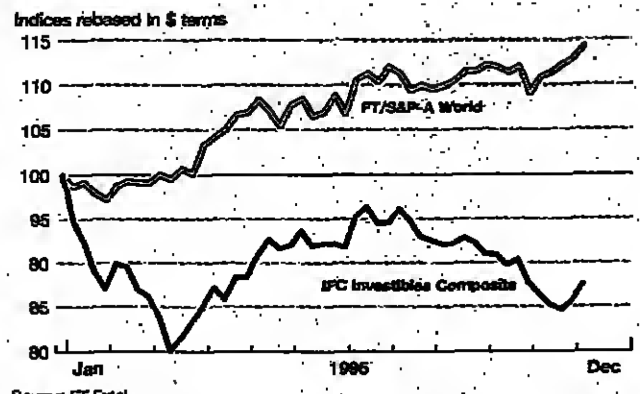
Emerging markets will be a likely home for this money. Mr Banerji cited a recent OECD survey of international pension fund managers which found that they planned to increase their emerging markets exposure threefold by 2000.

ING Barings' Mr Howell said that emerging stock markets typically performed about 12 months following US monetary easing. He saw monetary conditions globally continuing to improve.

There is a tendency for emerging markets to be "late cycle" investments, for them to be the sector that takes off at the end of the bull market, and the first to be abandoned when conditions change for the worse. Since 1988, emerging markets have outperformed the world index in just three out of seven years but in two of those good years – 1989 and 1993 – the outperformance has been greater than 30 per cent.

Obviously, investors in the emerging markets have to be prepared for a bumpy ride. But after two successive years of underperformance and at a time when liquidity is booming, ratings more adequately reflect the sector's risks and 1996 could represent a better buying opportunity than most.

Emerging markets trail behind



Source: FT Extel

Total return in local currency to 8/12/95

% change over period	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.08	0.11	0.20	0.18
Month	0.48	0.04	0.34	0.53	0.86	0.56
Year	7.38	2.69	5.69	6.31	9.94	7.38
Bonds 3-5 year						
Week	0.09	0.01	-0.16	0.64	0.64	0.39
Month	1.21	1.03	1.18	1.95	1.94	2.09
Year	15.04	13.31	14.48	13.05	15.25	14.65
Bonds 7-10 year						
Week	0.28	0.38	0.37	0.75	1.44	0.82
Month	1.94	1.39	2.67	2.75	3.75	3.26
Year	21.50	17.81	17.13	15.49	17.28	17.12
Equities						
Week	1.5	3.8	1.4	0.8	1.7	-0.5
Month	5.0	7.4	4.4	-0.3	5.8	3.4
Year	39.9	2.3	9.7	-1.2	-3.9	24.8

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

COMMODITIES Richard Mooney

Cotton market seeks direction

The New York cotton market has been almost becalmed in recent weeks, with nearby delivery prices generally ranging between 86 and 87.5 cents a pound.

With the US harvest nearing completion, market investors have been anxiously awaiting the next US Department of Agriculture crop estimate, which is to be released today. Traders have told the Reuters news agency that analysts expect to see a relatively small reduction from last month's estimate of 18.84m bales, perhaps to 18.3m or 18.5m. Any figure in that range would be neutral for the market.

Some traders are hoping, however, that the analysts will be proved wrong so that a surprise figure, preferably lower than expected, can bring increased volatility to prices.

The cause of volatility was not helped by last week's lower-than-expected expiry level for the prompt December position.

"After all the concern with tight supplies, the December contract went off the board with a thud and as a result, the back months took it on the chin," Ms Judy Ganes, an analyst with Merrill Lynch, told Reuters.

On Friday afternoon New York Cotton Exchange futures were trading narrowly higher in response to some speculative and local (own account) buying.

"Basically, the specs and locals drove prices up through the 86-even [cents a pound] area, and commission house selling kept it from going up through the highs," one trader said.

Apart from the US cotton crop figures the USDA will today be releasing US crop figures for citrus fruit and cottonseed and monthly world and US supply/demand figures for cotton.

The world cotton supply/demand situation is also the subject of a seminar being held in Singapore tomorrow by US Cotton Inc, the Textile Garment Manufacturers Association of Singapore and the Singapore Trade Development Board.

Economic Eye / Martin Wolf

How to curb criminals

The UK is, says the government, to become "the enterprise centre of Europe". Unfortunately, among its most enterprising people are criminals.

Notified offences soared from about half a million in the mid-1950s, to 3m in 1981 and peaked at 5.6m in 1992. This pattern is replicated in theft and burglary (see chart). In the year to June 1995, however, recorded crimes were down to 5.1m, half a million below 1992 levels. Mr Michael Howard, the home secretary, promptly argued that the figures "show that rising crime is not inevitable. They are a clear testament to the effectiveness of police forces throughout the country".

Unfortunately, this claim may be premature. In a recent pamphlet, Dr David Pyle of the University of Leicester argues that "recorded property crime is much more closely correlated with the level of economic activity in England and Wales, at least in the short term, than had previously been thought".* So crime soared during the latest recession and fell back in the recovery. But levels have merely returned to the longer-term trend.

Some argue that concern about that trend is misplaced, because victims are merely more inclined to report what has befallen them. Dr Pyle responds that the rate of increase in recorded property offences between 1981 and 1993, in England and Wales, was no bigger than shown in sample surveys of victims.

Crime is a business. Some criminals provide goods and services, such as drugs and prostitution. Most steal: robbery, theft, burglary and fraud account for more than three quarters of the UK's recorded crime. Criminals are self-employed entrepreneurs. They have been getting on other people's bikes – 177,000 were stolen in 1994 – and into their cars – 534,000 were taken in the same year.

If stealing were unchecked, the economy would collapse. To prevent this, the private sector spends on locks, alarms, surveillance and insurance, while the public sector buys police, courts, probation and prisons. Public spending on law and order was £15.1bn in 1994, 5.3 per cent of total government expenditure, up from 3.7 per cent in 1981. In 1992 criminal justice employed more than a quarter of a million people, an increase of more than 50 per cent from 1971.

This has been a failing nationalised industry. In asking whether the approach should change, the starting point must be why people are criminals. The Nobel-laureate Mr Gary Becker has answered that "a person commits an offence if the expected utility to him exceeds the utility he could get by using his time and other resources at other activities". Poor employment prospects would lead someone towards crime, other things being equal; so would easy availability of moveable valuables and inability to detect and punish crime.

Morality and attitude to risk matter, too. Morality may be measured as that gap between expected incomes from crime and legality at which someone would still choose the latter, though the chances of detection were zero. Risk aversion may be measured by how behaviour changes as the likelihood of detection rises. There is reason to believe criminals enjoy risk. This may also explain why 90 per cent of them are men.

One implication of economic analysis is that arguments about whether crime is due to poor job opportunities, temptation, depravity or masculinity, or whether it can be reduced by punishment, detection, moral education or economic opportunity, are foolish. The answer is all of them.

Second, punishment should be concentrated where crime is most likely to be deterred. Conflicts can then emerge between a society's sense of justice and economic efficiency. One did arise with the Criminal Justice Act of 1991, which made fines dependent on the criminal's wealth. This sensible approach led to divergent punishments for the same offence – and swift repeal of these provisions.

Third, in Dr Pyle's words, the statistical evidence "supports the view that crimes are deterred by increases in both the likelihood and the severity of punishment. This seems to be particularly true for property crimes". In short, deterrence works.

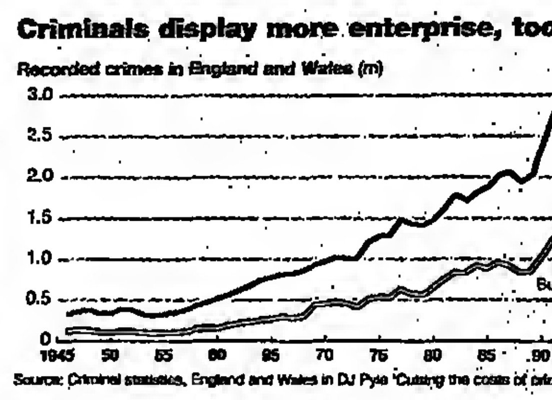
Fourth, crime might be eliminated if everyone who was not a criminal were a policeman. But there would be nothing to protect. Costs matter: fines are cheapest; prison is expensive, at £23,000 a year per inmate. But expanding the police is still more expensive, because it has modest effects on clear-up rates. More severe punishment may be a less costly way to lower property crime than greater policing.

Finally, the higher the chance of being a victim, the greater the incentive to introduce countermeasures. Private measures, from locks to private guards, are not merely inevitable, but desirable. Some elements of the criminal justice system, notably the law and the courts, are natural monopolies. Where they are not, private provision ought to grow.

When Mr Howard argues that harsher sentences lower crime, he is probably right. But more interesting than this debate is the one over the role of private initiative. The place of private enterprise within the criminal justice system is controversial. But action by the potential victims may be more important. At the least this is far more likely to curb crime than any conceivable increase in official policing.

*David J. Pyle, Cutting the Costs of Crime: The Economics of Crime and Criminal Justice. Hobart Paper 129, The Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB, 0171-799-3745.

Criminals display more enterprise, too



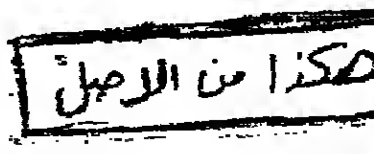
Source: Criminal statistics, England and Wales in DJ Pyle 'Cutting the costs of crime'

FT/S&P-ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 8 1995 US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY DECEMBER 7 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	166.70	6.6	161.22	119.49	140.55	168.59	14.6	3.92	168.55	161.79	120.60	141.31	169.82	191.01	167.95	167.69
Austria (27)	173.37	-5.1	168.28	110.96	130.51	130.42	-11.4	1.59	174.14	167.89	111.38	130.51	130.42	199.28	167.48	178.45
Belgium (35)	200.45	19.0	194.56	128.29	150.69	147.16	11.3	3.55	200.86	193.67	128.48	150.55	146.86	201.84	164.78	166.82
Brazil (28)	138.93	-14.9	134.85	88.92	104.56	247.10	-2.9	1.70	133.51	134.50	89.23	104.56	248.14	180.78	86.06	175.57
Canada (101)	148.08	14.4	143.73	94.77	111.47	147.32	12.1	2.52	148.10	142.79	94.73	111.00	146.63	150.83	121.81	126.56
Denmark (33)	285.53	13.4	277.15	182.74	214.95	217.56	4.4	1.50	288.25	277.90	184.36	216.03	218.81	295.99	236.81	240.56
Finland (25)	207.82	11.8	201.72	133.01	156.44	188.89	2.1	1.69	212.14	204.53	135.69	159.00	191.60	276.11	171.13	180.31
France (100)	175.28	7.2	170.13	112.18	131.95	136.96	0.0	3.20	174.74	168.47	111.78	130.98	136.23	191.17	157.79	166.40
Germany (59)	161.50	12.7	155.76	103.36	121.57	121.57	5.3	1.98	162.18	156.36	103.73	121.55	121.55	167.74	135.39	136.83
Hong Kong (55)	378.00	15.9	366.91	241.93	284.56	375.33	15.9	3.89	378.22	364.68	241.91	283.47	375.57	389.39	277.40	321.98
Ireland (16)	254.11	23.2	246.65	162.64	191.30	226.65	20.5	3.37	257.05	247.83	164.41	192.66	227.86	260.67	195.34	197.22
Italy (59)	69.45	-7.6	67.42	44.45	52.29	82.42	-9.6	1.77	69.39	66.90	44.38	52.01	82.42	82.71	65.45	71.67
Japan (483)	152.92	-2.6	148.43	97.87	115.12	97.87	-1.1	0.78	153.97	148.45	98.48	115.40	98.48	164.82	136.95	152.47
Malaysia (106)	476.84	-0.5	462.84	305.19	358.97	466.15	-1.1	1.78	480.94	463.69	307.61	360.46	470.05	561.96	396.12	463.99
Mexico (18)	980.96	-30.7	952.06	627.76	738.38	8316.59	9.1	1.67	981.97	956.38	634.47	749.45	8356.61	2043.16	647.61	2043.16
Netherland (19)	265.37	22.4	257.59	169.84	199.78	196.30	14.3	3.33	265.71	256.18	169.95	199.15	195.83	268.70	207.60	208.84
New Zealand (14)	77.04	9.3	74.78	49.30	57.99	63.43	8.6	4.57	77.07	74.30	49.29	57.78	63.25	85.49	68.56	70.57
Norway (33)	226.63	6.3	219.98	145.05	170.60	195.88	0.1	2.14	228.78	220.57	146.33	171.46	196.84	243.79	198.73	203.00
Singapore (44)	386.50	3.5	375.15	247.37	290.97	252.05	0.6	1.61	390.01	376.03	249.46	292.31	254.01	414.26	313.94	356.18
South Africa (45)	387.40	15.1	376.03	247.94	291.63	310.58	3.6	3.84	390.55	376.54	249.80	292.70	312.85	390.55	281.08	322.87
Spain (38)	157.91	19.7	153.28	101.07	118.88	147.71	12.2	3.96	158.77	153.07	101.55	118.99	147.71	160.51	124.10	140.27
Sweden (47)	309.39	33.9	300.31	198.01	232.91	304.68	19.9	1.97	312.74	301.53	200.03	234.40	308.60	321.59	225.80	228.50
Switzerland (40)	227.11	37.5	220.44	145.35	170.96	164.94	23.1	1.51	227.75	219.58	145.67	170.69	164.95	230.31	158.39	159.32
Thailand (46)	164.49	4.0	159.67	105.28	123.83	160.59	4.2	2.53	165.24	159.32	105.69	123.85	161.28	194.55	130.15	152.28
United Kingdom (206)	222.97	14.4	216.42	142.70	167.85	216.42	17.2	4.05	225.16	217.10	144.03	168.77	217.10	228.33	187.07	191.44
USA (639)	252.17	34.3	244.76	161.39	189.83	252.17	34.3	2.22	251.60	242.57	160.92	188.56	251.60	253.22	182.33	182.33
Americas (786)	229.69	31.9	222.94	147.00	172.91	193.11	32.4	2.22	229.22	221.00	146.61	171.79	192.68	230.86	170.66	170.66
Europe (737)	195.28	15.6	189.56	124.99	147.02	167.53	11.2	3.04	196.35	189.30	125.58	147.18	167.65	199.02	163.04	165.82
Nordic (138)	277.32	23.5	269.18	177.49	208.76	236.19	12.2	1.87	280.63	270.56	179.49	210.32	237.62	295.02	215.79	219.54
Pacific Basin (832)	162.76	-0.9	157.98	104.17	122.53	108.09	0.1	1.21	163.85	157.97	104.80	122.80	108.73	171.87	145.93	159.62
Euro-Pacific (1569)	176.21	6.1	171.03	112.77	132.65	130.64	4.6	2.06	177.26	170.92	113.39	132.86	131.10	178.33	154.73	162.12
North America (740)	245.74	33.5	238.53	157.28	184.99	245.14	33.3	2.23	245.21	236.41	156.83	183.77	244.57	246.80	178.86	178.86
Europe Ex. UK (531)	175.95	16.2	170.78	112.61	132.45	140.79	8.0	2.48	176.45	170.12	112.86	132.24	140.70	179.46	146.45	148.43
Pacific Ex. Japan (349)	258.13	8.4	250.56	165.21	194.33	228.22	9.5	3.24	259.63	250.32	166.06	194.59	229.24	268.72	211.19	231.54
World Ex. US (1761)	177.29	6.0	172.07	113.46	133.45	134.47	4.7	2.10	178.34	171.94	114.07	133.66	134.93	178.73	158.42	164.00
World Ex. UK (2194)	198.02	15.6	192.20	126.73	149.07	163.58	14.4	1.96	198.37	191.25	126.88	148.67	163.71	198.37	163.46	166.92
World Ex. Japan (1917)	227.00	23.6	220.33	145.28	170.88	213.26	22.0	2.59	227.25	219.10	145.35	170.32	213.13	228.28	178.95	179.83
The World Index (2400)	200.25	15.7	194.37	128.16	150.75	168.30	14.7	2.15	200.75	193.55	128.40	160.46	168.47	200.75	165.82	168.09

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 8/12/95: Addition: First Chicago NBD Corp (Large Cap Index) (USA). Deletions: First Chicago Corp (USA) and NBD Bancorp Inc (USA). Name change: Fleet Norstar Financial Group to Fleet Financial Group Inc (USA). Markets closed 8/12/95: Austria, Italy and Spain.



EMERGING MARKETS: This Week

The Emerging Investor / Virginia Marsh

Romania looks to privatisation

Capital markets, one of the missing pieces in Romania's post-communist reforms, are poised to take off in Bucharest after an absence of half a century.

Last month the country reopened the capital's stock exchange, closed by the communist regime in 1948, and agreed a $110m syndicated loan with western banks. It is only its second borrowing on international markets in 15 years.

A $150m syndicated loan taken out in May marked the country's return to international capital markets after the enforced isolation of the later Ceausescu years.

The loans are due to be followed up in the first half of next year by the country's first Eurobond, provided the country receives a satisfactory rating.

The return to the international financial community and the development of local capital markets comes amid government efforts to keep on track the ambitious mass privatisation programme it launched in the summer. The government, a left-nationalist coalition, hopes the programme, one of the most radical reforms it has initiated, will attract more than $1bn in direct foreign and portfolio investment.

By the end of November, Romania, which started market-led reforms later than other former eastern bloc countries, had attracted just $1.58bn in direct foreign investment since 1989. That was one sixth of the amount which flowed into Hungary, a much smaller country, in the same period.

The programme aims to sell off, within a year of its launch, some 3,900 companies for a combination of cash and free privatisation coupons distributed to all Romanians. Up to 60 per cent of the equity of most companies can be exchanged for coupons with the remainder to be offered to local or foreign investors for cash, mainly at auctions.

The State Ownership Fund, the main engine of privatisation, has set aside 554 companies, representing 10 per cent of gross domestic product in 1994, in which a 51 per cent stake is being reserved for strategic investors. It also intends to sell the cash portion of about 50, mainly large, enterprises by way of a public offering rather than auction, enabling the companies to seek a listing on the stock exchange straight away.

Public response to the privatisation, however, has been disappointing so far, creating concern the scheme will not be successful. Less than 5 per cent of the population used their coupons by the end of November, two thirds the way through the planned subscription period.

Analysts say the greatest problem is the lack of detailed information and the huge choice of companies. Although the government, with the help of the European Union's Phare programme, has raised awareness of the programme it has released limited financial data, based on 1994 balance sheets, with no comparative figures for previous years. About 900 lossmaking companies are simply recorded as having '0' profit with no information on the size or nature of their debts.

In the meantime, cash auctions are getting under way while the first public offers under the scheme are due in the first part of next year.

Wasserstein Perella, the US bank, which co-founded and part owns Capital, one of the few local investment banks, recently won an Phare tender to advise the SOF on the cash sales, especially those involving foreign investors.

Mr Ion Florescu, chief operating officer at Capital, in which the European Bank for Reconstruction and Development also holds a stake, says most of the first sales to foreign investors are likely to be strategic partners. However, the bank is also in the market with an investment fund, the Romanian Capital Fund, in which it hopes to attract $10m-$20m in the first closing.

Creditanstalt, the Austrian bank, which has been advising the SOF since last year, also recently set up corporate finance and investment fund subsidiaries in Romania.

In addition several emerging markets or central European funds have begun to make small local investments or to look for opportunities. The largest funds to date, however, have been set up by western donors or financial institutions. The US government is behind the $50m Romanian American Enterprise Fund while the EU and EBRD have set up a $30m fund to invest in newly privatised companies.

Stock exchange officials hope the privatisation programme will generate a steady supply of companies for the fledgling bourse which re-opened, after many delays, on November 20. At present the exchange trades shares in eight companies for just two hours a week in a single session.

After turnover of just $6,000 and 45 deals in the first session, transactions jumped to 127 trades worth more than $200,000 last Thursday. However, trading has been dominated by a single stock, Sanevit, a syringe maker, the only private company on the exchange.

Mr Mircea Ilie, the exchange's deputy general manager, says there has been limited interest in the other companies as they are only 10-15 per cent privately held, following public offers under Romania's first privatisation scheme. However, he hopes some of Romania's private or partially-privatised banks will also seek listings in the near future.

News in Brief

■ Indonesia plans to reduce the minimum share price movement from the current Rp25 a point to between Rp5 to Rp10, according to local media reports. The move is intended to boost market liquidity. The Jakarta stock exchange is also understood to be reviewing the maximum price movement in a single trade, now fixed at Rp200.

Stock exchange and the Australian authorities have indicated that the two countries might work more closely together in furthering both exchanges' interests.

■ Shanghai's B share index fell to a record low on Friday. Brokers said investors were selling blue chips on weak market sentiment after the index's recent steady fall.

Trading volume fell by 14 per cent during the first 11 months of 1995, compared to the same period in 1994. The Bolsa de Valores traded $200.8m from January to November 1995, compared to $234.2m during the same 1994 period. Trading slowed because there were no privatisations.

■ Chinese banks have now issued more than 10.4m credit cards since their launch on a mass scale about a year ago. The China Securities newspaper said the country was aiming to issue 200m cards in a 10-year project. In Shanghai, 615 automatic telling machine have been networked in the first such move among all Chinese cities.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

Health bulletins control Athens market sentiment

By Kerin Hope in Athens

The Athens stock exchange is always sensitive to changes on the Greek political scene. Since Mr Andreas Papandreou, the prime minister, was whisked into hospital three weeks ago, the market has reacted as swiftly to daily medical bulletins about his condition as to the latest economic indicators.

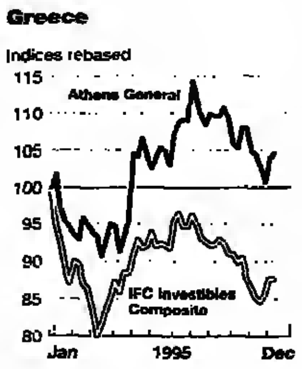
The index fell 2 per cent on November 20 as institutions sold when the prime minister was diagnosed as having pneumonia. Individuals followed the next day, pushing the index down another 2.7 per cent to 852.

However the market bounced back when the governing socialists made clear that Mr Papandreou would have to resign in favour of a younger politician, sending the index past 900. Last Friday, news that Mr Papandreou was feeling better triggered a fresh decline. The index fell 0.78 per cent to close at 901.3.

Disappointing inflation figures and fears that interest rates will start to rise also contributed to last week's decline. The yearly inflation rate fell to 8.2 per cent in November from 8.3 per cent the previous month, making it touch-and-go whether the government's year-end target of 7.9 per cent can be met.

Moreover, the finance ministry must raise a near-record total of Dr1,600bn this month

Greece



Source: FT Extel

to roll over maturing debt. After declining steadily since January, interest rates on government bonds are forecast to rise by 300 basis points with this month's issue, with the aim of ensuring that the December financing requirement will be fully covered.

Given that the prime minister is responsible for approving large public works projects, investors are also worried that the power vacuum will cause further delays in launching highway and harbour improvements, in which listed Greek construction companies expect to have a big role.

So far, however, the signs have been positive. Agreement was reached last week on the sale of Halkis Cement, the listed Greek cement producer which is controlled by state-owned National Bank, to Cementum of Italy for Dr36bn.

Economy ministry officials sound confident that a decision will be reached shortly on the offer price for shares in OTE, the Greek state telecoms monopoly, due to be listed in February.

Nonetheless, overseas investors returned to Greece with renewed enthusiasm as soon as the index dropped below 900. Daily trading volume averaged Dr7.5bn in the past two weeks, compared with an average Dr3.7bn in the first half of the year.

Last week saw shares worth Dr4bn change hands in Ergobank, a small but profitable private bank. Trading in shares of Hellenic Bottling Company, the Cypriot-owned soft drinks manufacturer which is expanding fast in eastern Europe, reached Dr2.5bn.

Local investors prefer the construction sector, where prices have fallen sharply because of delays in launching projects. Construction has been the most active sector this year, accounting for more than 20 per cent of turnover in the first 10 months.

However with only 13 out of 30 listed construction companies reporting improved first-half profits, gains have been marginal. The strongest growth came from smaller specialist contractors, which are less dependent on winning government contracts.

CURRENCY MARKETS / Philip Gawith

Central banks go centre stage

The Bank of England and the Bundesbank will be in the limelight this week as markets wait anxiously to see whether or not lower interest rates are in store.

Lurking in the background will be the US Federal Reserve which meets next week to discuss monetary policy, with lower rates on the agenda.

The dollar is the most likely beneficiary of any policy changes, with markets having adopted the slightly paradoxical view that lower domestic interest rates are good for the dollar, but bad for the D-Mark.

In the case of the US, the reasoning is clearly that lower interest rates will help sustain rallying bond and equity markets. Lower German rates will also help the dollar.

One very bullish factor for the dollar, which the market has so far played down, is the shrinking Japanese current account surplus. This may be because of the shrinking bond yield spread between the US/Germany and Japan.

On the other hand, a stronger Nikkei index may provide the financial ballast for Japanese institutions to invest offshore, which could help the dollar.

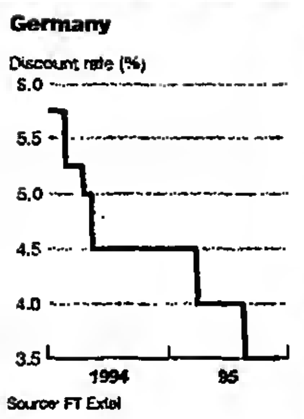
The political context, however, will remain crucial for the dollar. Until there is a budget deal, it is difficult to see it making any decisive move.

Recent economic data in Germany have increased the prospect of a rate cut. However the Bundesbank may be inhibited from cutting rates ahead of the EU summit in Madrid, which starts on Friday, for fear of having its motives misconstrued.

The currency most vulnerable to "no change" from the Bundesbank may be the French franc, which last week showed admirable resilience in the face of widespread industrial unrest.

A cut in UK rates could push sterling lower, though the extent of any move will depend on events in Germany, and the behaviour of the dollar.

Germany



Source: FT Extel

Baring Securities emerging markets indices

Index	8/12/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (301)	144.5	+1.40	+0.98	+6.10	+4.41	-13.48	-8.53
Latin America							
Argentina (20)	83.37	-1.60	-1.88	+10.63	+14.61	-2.74	-3.18
Brazil (21)	186.33	-2.05	-1.09	+7.60	+4.25	-23.04	-11.01
Chile (12)	186.81	+6.00	+3.32	+2.21	+1.20	-24.95	-11.79
Mexico (25)	70.18	-1.98	-2.74	+9.47	+15.59	-27.45	-28.12
Peru(17)	978.18	-8.17	-0.83	+73.99	+8.18	+129.51	+15.26
Latin America (95)	118.37	-1.23	-1.03	+6.91	+8.14	-20.40	-14.70
Europe							
Greece (16)	96.52	+0.56	+0.59	-2.44	-2.46	+9.52	+10.95
Portugal (18)	113.62	-0.26	-0.22	-4.32	-3.66	-2.65	-2.28
Turkey (21)	90.57	+1.83	+2.06	-7.47	-7.62	+14.46	+19.00
Europe (55)	121.62	+4.71	+4.03	+2.18	+1.82	+23.92	+24.48
Asia							
Indonesia (26)	142.37	+3.69	+2.66	+0.75	+0.53	+8.68	+6.50
Korea (23)	147.40	+4.64	+3.25	-4.98	-3.27	+7.52	+5.37
Malaysia (23)	224.87	+1.37	+0.61	+14.79	+7.05	+13.81	+6.55
Pakistan (11)	68.18	+2.99	+4.58	-4.32	-5.96	-38.02	-35.80
Phillippines (11)	247.74	+4.55	+1.87	+1.93	+0.78	-34.39	-12.19
Thailand (25)	249.08	+8.03	+3.33	+9.30	+3.88	-2.56	-1.02
Taiwan (32)	121.05	-0.52	-0.43	-1.94	-1.58	-63.10	-34.26
Asia (151)	200.77	+3.25	+1.64	+4.25	+2.16	-9.84	-4.67

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 8, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7255.15	4750.00	3280.39	4691.36
Albania	(Lek)	143.347	93.8500	64.8135	92.6914
Algeria	(Dinar)	78.9109	51.6635	35.6792	51.0257
Andorra	(French Fr)	7.6091	4.9819	3.4405	4.9204
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Germany	(D-Mark)	2.2116	1.4480	1	1.4301
Ghana	(Cedi)	2175.02	1424.00	983.426	1406.42
Gibraltar	(Gib £)	1	0.6547	0.4521	0.6466

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	363.479	237.980	164.351	235.042
Greenland	(Danish Krone)	8.5561	5.6019	3.8687	5.5327
Grenada	(E Carr $)	4.1240	2.7000	1.8646	2.6667
Guadeloupe	(Local Fr)	7.6091	4.9819	3.4405	4.9204
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Nigeria	(Naira)	133.643m	87.5000	60.4282	86.4188
Norway	(Nor. Krone)	9.7262	6.3680	4.3978	6.2894
Oman	(Rial Omani)	0.5880	0.3850	0.2659	0.3802

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	52.2595	34.2158	23.6297	33.7934
Panama	(Balboa)	1.5274	1	0.6906	0.9877
Papua New Guinea	(Kina)	2.0176	1.3210	0.9123	1.3047
Paraguay	(Guarani)	2997.52	1962.50	1355.32	1938.27
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Zaire Rep	(Zaire)	16227.1	10624.0	7337.02	10492.6
Zambia	(Kwacha)	1437.76	941.310	650.076	929.689
Zimbabwe	($)	14.1667	9.2750	6.4054	9.1606

Special Drawing Rights December 7, 1995 Utd Kingdom £0.966587 Utd States $1.48658 Germany DM2.14038 Japan Y150.858 European Currency Unit Rates December 6, 1995 Utd Kingdom £0.848207 Utd States $1.29793 Germany DM1.88006 Japan Y131.701

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Venezuelan market rate derived from Brady bond trading (2) Yugoslavian Dinar devalued on 26/11/95; Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
Xmas & New Year publication dates. Dec 22nd rates will appear on Sat 23rd & Weds 27th Dec. Dec 29th rates will appear on Sat Dec 30th & Tues Jan 2nd.
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times.
Friday, December 8, 1995

ATHENS STOCK EXCHANGE 01 Dec -08 Dec '95 — GREECE

ASE INDEX	901.35	P/E 95e (after tax)	12.6	GDP (USD bn) 95e	106.66
%Chg (Prev. Wk)	-0.06	P/E 94 (after tax)	16.1	Per Capita Income (USD)	9,810
Yearly High	996.75	EPS GROWTH (%) 95e	22.8	Inflation Rate (% Y O Y, November 95)	8.20
Yearly Low	782.22	P/CE 95e/94	7.8 / 9.9	12 month T-bill (%, end of November issue)	13.90
WEEKLY VOLUME (USD m)	182.26	P/BV 95e/94	2.8 / 3.3	1-month Athibor (%)	15.96
%Chg (Prev. Wk)	67.76	Div. Yield (%) 95e/94	5.0 / 4.4	GRD-US$	237.60
1 Y Wk Avg. (USD m)	101.53			A.S.E. Market Capitalisation - 8/12/95 (USD bn)	16.60
				IPOs & Rights Issues (USD m Jan'95-8 Dec '95)	312.72

CONTRACTS & TENDERS

LEGAL NOTICES

WORLD BOND MARKETS: This Week

NEW YORK — Tony Jackson

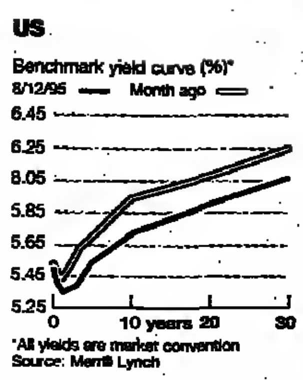
The bond market spent last week on the verge of breaking through, and staying below, the 6 per cent yield barrier for the first time in two years. Whether it succeeds this week will depend on how expectations develop for a further Fed rate cut in the following week. The market is implicitly expecting one but signs of tightening in the labour market last week might cause slight nervousness.

As Salomon Brothers points out, when bond yields were last at 6 per cent the economic backdrop was very different. Then, the economy was accelerating; now it is apparently achieving a soft landing. Most importantly, long-term expectations for inflation are half a percentage point lower now than then.

However, there seems little pressure on the Fed to ease just before Christmas given uncertainties over the budget. It might seem prudent to wait until the FOMC's next meeting in January, by which time there is a chance the political impasse will be resolved.

In the meantime, there will be direct evidence on inflation from this week's official data.

Tomorrow brings the producer price index for November, which is expected to be up 0.2 per cent, or 1.7 per cent year-on-year. The consumer price index comes on Thursday, with forecasts for the headline figure to rise 0.1 to 0.2 per cent, or 2.7 to 2.8 per cent year-on-year.



*All yields are market convention
Source: Merrill Lynch

LONDON — Conner Middelmann

UK gilts are likely to continue being influenced by the US Treasuries market next week, while a flurry of releases – including producer prices, jobs and average earnings data, retail sales figures, retail prices, and the CBI monthly trends survey – will set the scene domestically.

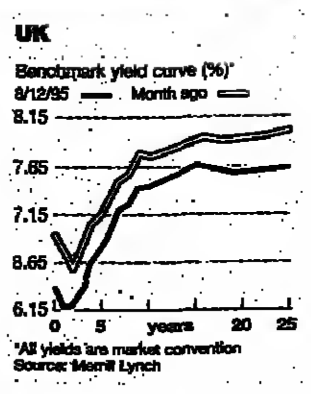
"Most of the data should be supportive, confirming the current slow-growth and low-inflation picture," said Mr Stuart Thomson of Nikko Europe.

After rallying early last week, gilts weakened towards the end on waning hopes of a UK base rate cut and Treasuries' decline.

"Absolute levels are still being determined by international conditions, and gilts will need bullish earnings, sales and retail price data to outperform any further," said Mr Andrew Roberts of Union Bank of Switzerland.

Ten-year gilts' yield premium over German bunds had shrunk to 149 basis points on Friday, from 159 points the week before and about 180 points in October.

On Wednesday, all eyes will be on the policy meeting between Bank of England governor Mr Eddie George and chancellor Mr Kenneth Clarke. After comments last week by Mr George implying that sterling weakness might rule out any cut in rates, unchanged interest rates could cause the yield curve to flatten as short rates back up.



*All yields are market convention
Source: Merrill Lynch

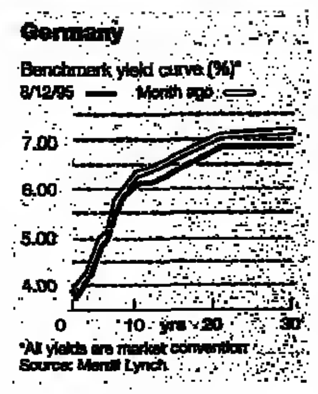
FRANKFURT — Andrew Fisher

Next Thursday will be a red-letter day for watchers of the Bundesbank, which will announce its money supply target for 1996 after a year in which M3 growth has been distinctly sluggish. The occasion will be given added piquancy by continuing speculation about a further cut in interest rates, refuelled by last week's evidence of a faltering economy.

As far as M3 goes, the central bank is expected to keep the target range similar to that of 1995, namely between 4 and 6 per cent. Some economists think the range could be slightly higher, at perhaps 4.5 to 6.5 per cent, or even 5 to 7 per cent. Either way, the Bundesbank will reaffirm its commitment to M3 as the centrepiece of its stability-oriented monetary policies.

The prospect of an interest rate cut has clearly been increased by the latest data, with a stagnation in gross domestic product in the third quarter, unemployment for November rising, and industrial production down in October.

However, said Mr Holger Fahrinkrug of Union Bank of Switzerland: "We still feel the Bundesbank may want to wait longer to evaluate the impact of the last rate cut [in August]." He forecast a half point cut in rates next February; the discount and Lombard rates stand at 3.5 and 5.5 per cent respectively.



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

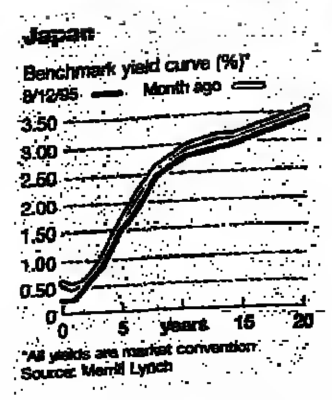
Bond prices are expected to fluctuate within a range this week because of profit-taking by financial institutions and purchases prompted by hopes of an imminent cut in the discount rate and continued buying by life assurers.

Banks and agricultural co-operatives have continued to raise funds to cope with bad loans at the jusen, or housing loan companies, but market participants expect the bond market to be supported by continued buying by the Bank of Japan and life assurance companies.

Meanwhile, coupons on bank debentures issued by long-term credit banks this week are expected to vary for the first time in 40 years. Coupons for debentures issued by the Industrial Bank of Japan, Long-Term Credit Bank, and Nippon Credit Bank, have been held at the same level in spite of differences in the banks' credit ratings.

Yields on bond debentures started to deviate from each other in the early 1990s on the secondary markets following reports of mounting bad loan problems at LTCB and NCB. Although the banks maintained the same coupons, the yields on debentures issued by LTCB and NCB have risen above that of the IBJ.

Yields on LTCB's debentures are trading 20 basis points above that of the IBJ's paper, while NCB's debentures were trading at yields 90 points above the IBJ's last week.



*All yields are market convention
Source: Merrill Lynch

Syndicated loans

Acquisition financing keeps bankers busy

Activity in the syndicated loans market shows little sign of abating, although the number of new deals is likely to slow ahead of the year-end.

"The market seems to be a lot busier than this time last year," said one banker. "In 1994, we were doing mainly straightforward corporate revolvers and refinancings, which slowed down before year-end, but this year we're doing a lot of situational financings related to acquisitions which is keeping us going at full steam."

Another crop of acquisition-related financing facilities was launched last week.

Welsh Water launched a £750m five-year revolving facility to partially finance its revised £872m offer for the South Wales Electricity Company. NatWest Markets and Kleinwort Benson, the UK merchant bank recently acquired by Germany's Dresdner Bank, are acting as arrangers and ABN Amro Bank and Sanwa Bank are co-arrangers.

Pricing details are not yet available, but market talk suggests the facility is likely to be priced close to the 22.5 basis point margin paid in previous power deals. The loan is expected to go into general syndication in the new year.

Racal Electronics, which last week announced an agreed bid for BR Telecommunications, British Rail's telecoms business, is putting in place a £400m three-year revolving facility to fund the £132.8m acquisition and to refinance existing bilateral facilities.

The loan is being arranged by BZW and NatWest Markets and jointly underwritten by their respective parent banks, Barclays and National Westminster. Pricing details were not available. The deal is set to go into general syndication early in the new year.

Elsewhere, the £80m acquisition by Ashanti Goldfields, the Ghanaian gold mining group, of Cluff Resources, announced last week, is to be partially financed by a syndicated loan arranged by BZW. Details on the size and terms of the offering are yet to emerge. The transaction is to go to a wider group of banks once the deal goes unconditional.

The £1.5bn three-year revolving credit for North West Water to fund its £1.8bn acquisition of Norweb closed on Friday after attracting more than £1.6bn of bids from a wide range of banks. The loan has been arranged by Deutsche Bank, Dresdner/Kleinwort Benson, Midland Bank, Société Générale and Sumitomo Bank.

A £200m five-year revolving credit facility was launched last week for Greenalls, the UK pubs and hotels group, for general corporate purposes, including the refinancing of a £125m facility launched in November 1993 and the partial financing of the acquisition of the Boddington Group.

Greenalls is paying a margin of 22.5 basis points over Libor and a commitment fee of 10 basis points. NatWest is arranger and agent.

Emerging-market borrowers have also been keeping bankers busy. In Thailand, the International Finance Corporation, the investment arm of the World Bank, on Friday agreed a $290m package for the National and Securities Public Company.

The package comprises a $30m six-year term loan and a subscription to $10m worth of convertible debentures for the corporation's own account, and a $250m syndicated three-year loan – the second-largest in the IFC's history.

It provides the longest maturity financing yet attained by NFS and is structured as a revolving facility. The interest margin on the $250m loan is 75 basis points over the London inter-bank offered rate.

The syndication involves 38 banks from 17 countries, many of which are assuming Thai exposure for the first time. The IFC, Bank of America, Société Générale and the Bank of Nova Scotia have together arranged the transaction.

NFS will use the funds for on-lending to small and medium-sized enterprises (SMEs) in Thailand, which play an important role in supporting export industries such as motor vehicles, electronics and machinery. Some 60 SMEs are expected to receive loans under the project, the IFC said.

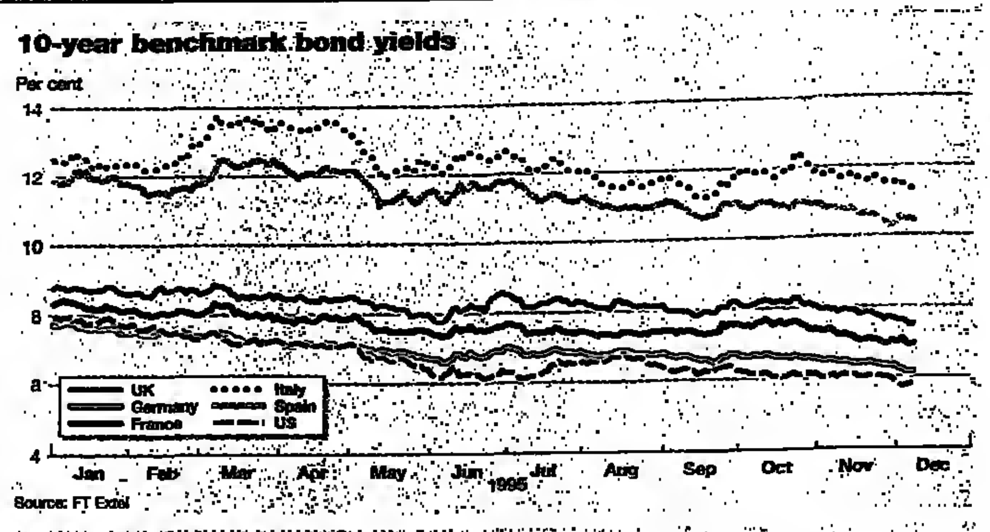
The National Bank of Romania last week signed a $110m 18-month syndicated loan arranged by Citibank – the country's second financing since its return to the international capital market in May after a 15-year absence. The interest margin on the facility, which was increased from the initially proposed $75m size, is Libor plus 225 basis points.

Romania's central bank is considering raising up to $1bn from international capital markets by next May, Reuters reported the National Bank governor Mugur Isarescu as saying on Friday. The success of its latest loan meant Romania now had credibility in world markets, he said, adding that funding would be "not only syndicated loans but certainly also bond issues ... as we want to join the international markets in a professional manner".

Last month, Romania's parliament passed a law allowing the National Bank to raise up to $1bn in medium and long-term loans next year, ending a restriction which limited borrowing to the short term.

Conner Middelmann

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.50	6.10[1]	9.00	6.75[2]
Overnight	5.88	0.38	4.00	5.12	10.37	6.75
Three month	5.48	0.50	3.92	5.62	10.34	6.37
One year	5.33	0.46	3.75	5.00	10.54	6.18
Five year	5.52	1.32	5.00	8.01	10.92	6.87
Ten year	5.71	2.86	6.10	6.79	11.24	7.47

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	120-03	120-11	+0-04	121-06	119-25	8,917	102,437
Mar	120-00	120-03	+0-03	120-31	119-16	312,105	332,404
Jun	119-13	119-22	+0-04	120-16	119-06	2,276	14,739

Notice to Holders of
US$125,000,000
Floating Rate Subordinated Capital Notes
Due December 1996
FIRST CHICAGO CORPORATION

Notice is hereby given pursuant to Section 8 of that certain Fiscal Agency Agreement, dated as of December 1, 1986 (the "Agreement"), by and between First Chicago Corporation, a Delaware corporation ("First Chicago") and The First National Bank of Chicago, as Fiscal and Paying Agent, relating to First Chicago's Floating Rate Subordinated Capital Notes Due December 1996 (the "Notes") that effective December 1, 1995, First Chicago merged with and into NBD Bancorp, Inc., a Delaware corporation ("NBD"), in a merger of equals transaction (the "Merger"), with the surviving corporation now known as "First Chicago NBD Corporation" ("FCNBD"). In connection with such Merger, FCNBD has expressly assumed the due and punctual payment of the principal of and interest on all the Notes, according to their tenor, and the due and punctual performance and observance of all the covenants and conditions of the Agreement and the Notes to be performed by First Chicago. The headquarters of FCNBD is One First National Plaza, Chicago, Illinois 60670. The First National Bank of Chicago, through its London branch, located at First Chicago Clearing Centre, 27 Leadenhall Street, London EC3A 1AA, England, will continue as the principal paying agent for the Notes.

FIRST CHICAGO NBD CORPORATION

December 11, 1995

USD 10,000,000,000
EURO MEDIUM TERM NOTE OF SOCIETE GENERALE,
SOCIETE GENERALE ACCEPTANCE NV AND
SOCIETE GENERALE AUSTRALIA LIMITED
SERIE N° 123
SOCIETE GENERALE ACCEPTANCE NV
FRF 1,000,000,000
FLOATING RATE NOTES DUE SEPTEMBER 1997
ISIN CODE : XS0052843755

Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the rate applicable to the period from September 8th, 1995 to December 8th, 1995 has been fixed at 6,26953 % P.A.

Next payment date : December 8th, 1995
Coupon nr : 5
FRF 1,584.80 per Note in the denomination of FRF 100,000
FRF 15,847.98 per Note in the denomination of FRF 1,000,000

The Principal Paying Agent SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter - LUXEMBOURG

To the Holders of:
Olympia & York Maiden Lane Finance Corp.
10⅞% Secured Notes Due 1995

Notice of Additional Distribution

On December 4, 1995 The Bank of New York succeeded NationsBank of Tennessee, as successor trustee on the captioned issue. At the direction of all of the members of the Olympia & York Maiden Lane Noteholders Committee, The Bank of New York, as successor trustee (the "Trustee") under the Indenture (the "Indenture"), dated as of December 23, 1985, of Olympia & York Maiden Lane Finance Corp (the "Issuer"), pursuant to which the Issuer's 10⅞% Secured Notes Due 1995 (the "Notes") were issued, will be distributing on December 27, 1995 an additional sum of $12,000,000, or in other terms, $60.00 for each $1,000 original principal amount held by each holder. That sum is to be applied pro rata on account of principal and interest payments on the Notes, in accordance with Section 5.03 of the Indenture. Based on its calculations, the Trustee believes that, pursuant to the Indenture, each $60.00 received should be apportioned and applied, $38.48 towards principal and $21.52 towards interest. Each holder is urged, however, to consult with its own legal, tax and financial advisors in determining the proper allocations in its particular circumstances.

The $12,000,000 amount is being distributed from excess Cash Flow generated by 59 Maiden Lane, the building securing the Notes. The distribution will be made to all holders of record on the Record Date of December 26, 1995.

As virtually all of the Notes are in bearer form, the Trustee does not have a complete list of Noteholders in order to communicate to the holders from time to time, as necessary. Accordingly, we ask each holder who has not previously done so to contact Jack Stevenson, Vice President, The Bank of New York, 101 Barclay Street - 12E, New York, NY 10286 (fax no. (212) 815-7183) and indicate the principal amount of Notes owned by the holder and the holder's name, address, contact person and telephone number.

Capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Indenture.

The Bank of New York, as Trustee

Dated December 8, 1995

NOTICE OF FULL REDEMPTION
To the Holders of
Pasa Petroquimica Argentina S.A.I.C.F. y de M.
US $25,000,000
Floating Rate Negotiable Obligations Due 1992-1995
ISIN No. XS0035160752*

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 23, 1991, among PASA Petroquimica S.A.I.C.F. y de M., The Bank of New York, as Fiscal Agent, Banque Internationale a Luxembourg S.A. and Banco Frances del Rio de la Plata S.A., as Paying Agents, the Company will redeem, on December 15, 1995, all of the above-referenced outstanding Obligations at the Redemption Price of 100% of the principal amount which is of US$10,000,000 (US $5,000,000 due December 15, 1995 and US $5,000,000 due December 15, 1996), together with interest accrued to the Redemption Date which determines a redemption value of US$10,462,500. The Redemption Price of the obligations will become due and payable on the Redemption Date and, unless the Company defaults in making payment thereof, interest on the Obligations will cease to accrue on and after such date.

Payment of the Redemption Price will be made upon presentation and surrender of the Obligations, with all Coupons maturing on or after the Redemption Date, at the offices of the Fiscal Agent or the Paying Agents as follows:

The Bank of New York-London
46 Berkeley Street, 5th Floor
London, England W1X 6AA
Attn: Mrs. Debbie Cumner-Price

Banco Frances del Rio de la Plata S.A.
Reconquista 199
1004 Buenos Aires
Argentina
Attn: Carlos Korcarz

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
L-2953 Luxembourg
Grand Duchy of Luxembourg
Attn. Corporate Department

Upon deposit of the Redemption Price, the Obligations will no longer be deemed outstanding on or after December 15, 1995 and all rights of the Holders with respect thereto will cease, except only the right of Holders to receive the Redemption Price upon the surrender thereof.

The Bank of New York *as Fiscal Agent*

Dated: December 5, 1995

**No representation is made as to the correctness or accuracy of this ISIN number either as printed on the Obligations or contained in this Notice of Redemption.*

£100,000,000
ANGLO IRISH BANKCORP
Anglo Irish Bank Corporation plc
(incorporated in Ireland under the Companies Acts, 1963 to 1990 Registered number 22045)
Floating Rate Notes due 1998

For the 3 month Interest Period December 7, 1995 to March 7, 1996 the Rate of Interest has been set at 5.65625 per cent. per annum with Interest Amounts of £165.50 and £1,654.97 payable per £10,000 and £100,000 Notes respectively. The relevant Interest Payment Date is March 7, 1996.

By: The Chase Manhattan Bank, N.A. Agent Bank
December 11, 1995 CHASE

Correction Notice
EUROFIMA
European Company for the Finance of Railroad Rolling Stock
U.S. $250,000,000
Deutsche Mark LIBOR Based Floating Rate Notes due 2002

For the Interest Period 4th December, 1995 to 4th March, 1996 the Notes will carry an Interest Rate of 5.375% per annum with Coupon Amounts of U.S. $13.59, U.S. $135.87 and U.S. $13,586.81 per U.S. $1,000, U.S. $10,000 and U.S. $1,000,000 Notes respectively. The relevant Interest Payment Date will be 4th March, 1996.

Swiss Bank Corporation

ALTUS FINANCE S.A.
USD 200,000,000.-
FLOATING RATE NOTES
1990/2000

Bondholders are hereby informed that the rate applicable for the twelfth period of interest has been fixed at 5.6875 %.
The coupon N°12 will be payable at the price of:
- USD 292.27 for the USD 10,000 Notes
- USD 2,922.74 for the USD 100,000 Notes
on June 10th, 1996, representing 185 days of interest, covering the period as from December 8th, 1995 to June 9th, 1996 inclusive.

The Reference Agent and Fiscal Agent
CREDIT LYONNAIS

US Treasuries

Investors shaky on economic prospects

Wall Street's economic gurus are almost universally optimistic about the prospects for the markets next year, but the mood on the Treasury market last week was skittish as the long-bond flirted with yields below 6 per cent.

Since the start of November, both stocks and bonds have rallied sharply, with the yield on the benchmark 30-year Treasury dropping 30 basis points helping spur the Dow Jones Industrial Average to a gain of 444 points over the same period.

Yet last week the bond market was choppy as investors wobbled about prospects for the economy and for the course of monetary policy. Long-term yields dipped below 6 per cent in four of the five sessions, but never managed to hold those levels through to the end of regular New York trading.

The most recent leg of this rally began in late November after the National Association of Purchasing Management released figures supporting the view that manufacturing activity is slowing.

The data supported one element of the near-universal consensus that inflationary pressures are in check, the government will cut the budget deficit and the Federal Reserve will reduce interest rates by January.

That brew of market-friendly conditions should, the conventional wisdom holds, allow the markets to continue their upward trajectory throughout next year. Economists at many of Wall Street's biggest broking houses see long-term interest rates at 5½ to 6 per cent next year.

Mr John Lipsky, chief economist at Salomon Brothers, thinks the economy is slowing quickly enough to allow tha Fed to lower the target for short-term rates to about 4½ per cent by mid-year. That and a credible deficit-cutting budget deal, he says, should send the long-bond yield as low as 5¾ per cent next year.

Another piece of good news for the bond market is that cash flows into bond mutual funds have started to pick up after months of lagging inflows into stock funds.

In October, the net cash flow into bond funds was $3.8bn compared with $2.8bn in September, according to the Investment Company Institute. However the new money flowing into bond funds were still modest compared with the $9.6bn that went into stock funds in October.

The new confidence from both individual investors and professional economists has some market watchers couching their views nervously.

Mr Keith Brodkin, chief executive of Massachusetts Financial Services, the mutual fund group, said he was worried by all the optimism.

"The consensus is usually wrong," he says before going on to present his bullish forecast that long-term bond yields could go as low as 5.5 per cent next year.

However, there are also near-term risks that could cause bonds to back up.

One psychological risk comes from the fact that the long-bond yield never made it decisively through 6.00 per cent. This may spur some investors to take some money off the table, says Mr Woody Jay, head of global government trading at Lehman Brothers.

Six per cent "becomes a nemesis for the market because you bang up against a resistance level and then you don't go through", he says.

Also, some of the impetus behind the recent rally has come from money borrowed in Japan – where short-term funds can be raised for less than 1 per cent – and then used to finance the purchase of comparably high-yielding long-term Treasuries.

This trade injects leverage into the market and converts the interest rate risk that blew the market apart in 1994 into currency risk.

Mr Mark Werner, co-head of fixed-income trading at J.P. Morgan, says he has seen a number of these trades put on in the past several weeks on the theory that the world's central banks will not let the dollar slip below Y100 from the Y101 at which it has traded of late.

"If the dollar fell apart severely, you would see these trades come undone," he says.

Mr Philippe Jordan, head of international sales at Daiwa Securities, agrees that there is some currency risk in the market, but he does not think there is enough leverage to cause a sell-off like that seen in 1994.

"This bull run is not at all reminiscent of 1993," he says.

Lisa Bransten

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Fujitsu(a)φ	600	Dec.2000	3.125	100.00	-	-	Nikko Europe
IW Finance	500	Dec.2000	5.75	99.837R	5.786	+26(5⅝%-00)	Morgan Stanley Intl.
Banque Nationale de Paris	250	Dec.2000	5.75	99.271R	5.923	+35(5⅝%-00)	BNP Capital Markets
Student Loan Mktg.Assoc.(d)	100	Jan.2002	6.65§	100.00R	6.650	+109(7½%-02)	Paribas Capital Markets
Spintab(e)‡	500	May.2001	(f)	99.84R	-	-	Morgan Stanley Intl.
Hitachi Credit Corp.	200	Dec.2000	5.875	99.55R	5.982	+45(5⅝%-00)	JP Morgan Securities
Figaro, Series A(g)‡	100	Dec.2005	(g1)	100.00	-	-	Lehman Brothers Intl.
Soc des Ciments Libanais(m)	50	Jan.2003	9.00#	100.00R	9.000	+350.3(l)	SBC Warburg
Parma Food(o)‡	200	Dec.2000	(o1)	99.875R	-	-	SBC Warburg
D-MARKS							
Synx Corp.‡	80	Dec.2000	(c)	100.00	-	-	Sanwa Bank (Deutsch.)
State of Sachsen-Anhalt(s)	1bn	Jan.2001	5.125	100.36	-	-	T&B/Ddr/Nd.LB/Sachsen
BFCE	600	Dec.2000	5.125	99.861R	5.157	+24(5¼%-00)	CSFB-Effectenbank
Cofin International(t)★	300	Dec.1998	4.38#	100.28	-	-	Yamaichi Bk.(Deutsch.)
SBAB‡	300	Jan.2001	(h)	99.94R	-	-	UBS (Germany)
Deutsche Bank Finance(p)	500	Nov.2000	5.50	103.50	4.660	-	Deutsche Morgan G'fell
GECC(s)	200	Dec.1999	4.75	100.09R	4.725	+4(7%-00)	BZW (Deutschland)
Rheinische Hypo.(p,d)	500	Dec.2001	5.50	101.75	5.152	-	ByrHyp/Cmrz/Dsdr/UBS
Deutsche Flugsicherung	300	Jan.2006	6.25	99.20R	6.361	+32(6½%-05)	Deutsche/ Goldman
CLF Hypo. Berlin(p)‡	150	Jan.2006	(v,j)	100.05	-	-	Commerzbank
Spintab‡	100	Feb.1998	(w)	100.10	-	-	Lehman Bros.Bankhaus
YEN							
Konami Co (i,s)§	15bn	Mar.2000	0.75#	100.00	-	-	Nomura International
BNG★	10bn	Dec.2025	(f)	100.70	-	-	Nomura International
Republic of Ireland★	10bn	Dec.2015	(x)	100.40	-	-	Morgan Stanley Intl.
SWISS FRANCS							
SBC Jersey	200	Jan.2000	3.50	102.45	2.843	-	SBC Warburg
STERLING							
Homeloans No.1, Class A(t)‡	112.5	Oct.2030	(t1)	100.00R	-	-	JP Morgan Securities
GUILDERS							
ING Verzekeringen	250	Dec.2005	6.25	99.71R	6.290	+21(6¼%-05)	ING Barings
FRENCH FRANCS							
SBAB(l)	1bn	Feb.1998	5.625	100.05R	5.586	+25(5¾%-98)	BNP/ Merrill Lynch
ITALIAN LIRE							
IRIS No.3, 2000(e)‡	220bn	Oct.2000	(e1,s)	99.93R	-	-	Paribas Capital Markets
IRIS No.3, 2001(e)‡	125bn	Oct.2001	(e2,s)	99.96R	-	-	Paribas Capital Markets
IRIS No.3, 2003(e)‡	105bn	Oct.2003	(e3,s)	99.845R	-	-	Paribas Capital Markets
WestLB Finance Curaçao(l)	150bn	Jan.1998	10.60	100.97	10.04	-	San Paolo, Turin
LUXEMBOURG FRANCS							
De NIB	2bn	Jan.2001	5.75	102.80	5.147	-	Crdt.Euro./Kredietbank
Daimler-Benz Canada(s)	2bn	Dec.2001	6.25	102.625	5.72	-	BGL/ BIL
Crédit Local de France(s)	3bn	Dec.2003	6.375	102.30	6.00	-	BIL
BNG	2bn	Feb.2002	6.00	102.65	5.470	-	BGL
Finance for Danish Industry	2bn	Feb.2002	6.00	102.25	5.549	-	BCEE/ Kredietbank
DSL Finance(s)	2bn	Dec.2000	5.75	102.35	5.20	-	BCEE/ Kredietbank
Crédit Européen(l)	2bn	Apr.2001	6.00	102.80	5.36	-	Crédit Européen
CANADIAN DOLLARS							
City of Montreal	100	Jan.1999	6.75	99.99R	6.754	+34(8%-98)	Scotia/ CIBC Wd.Gundy
City of Vancouver	100	Jan.2006	7.50	99.55R	7.566	+22(8¾%-05)	RBC Dominion Secs.
DANISH KRONER							
Mortgage Bank of Denmark	400	Jan.2003	7.00	101.875	6.658	-	Unibank
Aalk-Cger Mco(s)	400	Dec.2000	6.50	101.95	6.03	-	Aalk-Cger Bank
SOUTH AFRICAN RAND							
Daimler-Benz Nth.America(k)	250	Jan.2001	14.00	100.98	13.72	-	Deutsche Morgan G'fell
BayerVB Overseas Finance	250	Jan.1997	14.00	100.90	12.98	-	Hambros Bank
Rabobank Nederland	250	Jan.2001	14.25	101.875	13.71	-	Hambros Bank
IRISH POUNDS							
Ulysses Securitisation(u,s)	140	Aug.2006	7.625	99.488R	7.708	+23(8%-06)	UBS
CZECH KORUNA							
EBRD(l)	1.5bn	Dec.1998	10.00	100.00R	10.00	-	Merrill Lynch Intl.
AUSTRIAN SCHILLINGS							
Republic of Argentina	500	Dec.1998	8.50	100.70	8.227	-	Creditanstalt

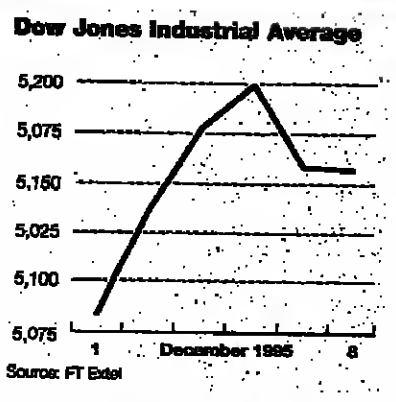
Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. φWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Daiwa. $10,000 +2 wrts. Exercise price: Y1,230. Fx: 102.30Y/$. b) Conversion price: Y3,014. Callable from 30/9/96, subject to 140% hurdle, at par. Puttable on 31/3/98 at par. Ratchet clause effective 22/12/97, max 20%. c) 6-mth Libor +25bp. d) Callable on any coupon date at par. e) Secured by Italian lease receivables originated by Banca Centrale per il Leasing - Italease. e1) 3-mth Libor +30bp. e2) 3-mth Libor +35bp. e3) 3-mth Libor +40bp. f) 3-mth Libor +12½bp. g) Backed by portfolio of investment grade Eurobonds. Av life 8.1 yrs. g1) 3-mth Libor +30bp. g2) Series B of $10m was privately placed. h) 3-mth Libor +10bp. i) Over interpolated yield. j) Callable on 2/1/97 at par. k) Includes R100m increase at 100½%. l) Long 1st coupon. m) Amortises in six semi-annual instalments from 15/7/00. n) Fungible with DM500m. Plus 20 days accrued. o) Asset backed. o1) 3-mth Libor +25bp. p) Öffentliche Pfandbrief. q) Fungible with DM1bn. Plus 9 days accrued. r) 6.05% in Aus$ or 6.05% in DM. s) Short 1st coupon. t) Secured by mortgages originated by National Home Loans subsidiary. Callable on coupon dates from Jan 02 at par. Expected average life: 4.4 yrs. t1) 3-mth Libor +18bp to Jan.04 and +60 bp thereafter. t2) Mezzanine notes: £10m, 3-mth Libor +60bp to Jan 04. Callable from Jan 02 par. u) Secured by mortgage loans originated by Irish Local Authorities. v) 6-mth Libor flat. w) 3-mth Libor +7bp. x) 5.88% in Aus$ or 5.30% in DM. Note: Yields are calculated on ISMA basis.

هكذا من الأصل

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Data set to add to rate speculation



Source: FT Extel

Stocks may find themselves on another roller-coaster ride this week as investors make their final decisions about the course of monetary policy before next week's meeting of the Federal Reserve's Open Market Committee.

On Friday, the market initially rallied along with bonds after weakness in the November employment figures raised hopes that the FOMC would cut rates on December 19. Bnt by the close both markets were lower as Mr Alan Blinder, vice-chairman of the Fed, suggested the markets were overreacting to the weak economic data.

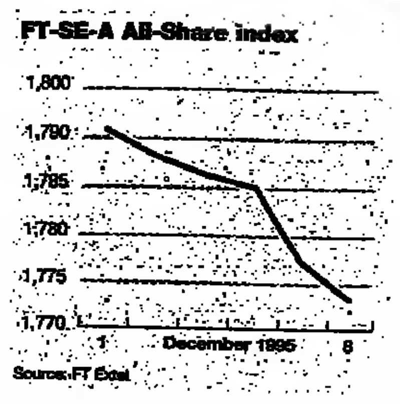
This week brings a spate of economic data that should lead to more speculation about what the Fed will do, and any big moves on the market could be exacerbated by the fact that options and futures on shares and share indices expire on Friday in what is known as a "triple witching".

November retail sales figures are due on Wednesday, and economists expect a 0.6 per cent increase after the 0.2 per cent decrease seen in October.

The consumer and producer price indices are due on Tuesday and Thursday, and Wall Street holds that both indices will show 0.2 per cent increases. Also on Thursday will come data on November industrial production – which economists believe will bold at October's level – and capacity ntilisation – which is expected to have edged down to 83 per cent from the 83.6 per cent seen in October.

LONDON — Philip Coggan

Bank meeting will be focus of attention



Source: FT Extel

The coming fortnight is likely to be critical for the London stock market as decisions on interest rates are taken around the world. In the UK, attention will be focused on Wednesday's meeting between Mr Kenneth Clarke, the chancellor of the excbequer, and Mr Eddie George, the governor of the Bank of England. Hopes are high for a cut of at least a quarter percentage point in base rates, although the governor last week warned the chancellor not to take risks with rates.

With the Bundesbank and the Federal Reserve meeting within a week of the governor and chancellor, monetary policy could be eased world-wide. Cuts in rates in Japan, the US and Germany have done much to aid the rally in shares and bonds this year.

The UK market may need the stimulus as the FT-SE 100 index, which has climbed 700 points since March, appeared to be running out of steam last week. The leading index has surpassed the end-year targets set by most forecasters at the start of 1995, and investors may be tempted to lock in their profits.

However, December and January are often good months for stock markets and shares are still receiving strong support from gilts, with the yield on the 10-year benchmark issua reaching its lowest level for tha year last week.

The main corporate development of the week will be the start of trading in National Grid, which has immediately leapt into the FT-SE 100.

OTHER MARKETS

AMSTERDAM

The brief knock given to Dutch share prices by Nedlloyd and other cyclical stocks has not stopped the Amsterdam market from reaching new highs – or ABN Amro, the big Dutch bank, from raising its forecasts for the Amsterdam market for the rest of the year, *writes Ronald van de Krol*.

The upbeat assessment comes as the Dutch market takes stock of the now-concluded third-quarter reporting season. Although some retail companies have been downgraded by analysts, most Dutcb companies put in good performances.

The Amsterdam-EOE index (AEX), whicb hit a record high of 491.98 on Wednesday, is now forecast to end the year at 490 points, compared with ABN Amro's (and other's) earlier expectations of a 460 point finish. The bank's prediction for mid-1996 has also been increased to 515 points from a previous 490.

"This upgrade is the result of the fact that the positive effect of lower bond yields should outweigh the negative impact of reduced earnings and dividend forecasts," it said. The bank added that earnings growth for the market as a whole would remain "quite strong" in 1996 and 1997.

ABN Amro recommended an overweight position in media, services, energy, and selected financial stocks.

FRANKFURT

Information from MAN, RWE and Siemens will provide the focus this week and, says UBS, the market is expected to edge up further, fuelled by rate cut speculation ahead of the last Bundesbank meeting of the year on Thursday.

MAN holds its annual meeting tomorrow and, says UBS, profits in the current year will be boosted by lower losses at the MAN Roland printing machinery division. But in its other main divisions it sees little hope for turnover growth and margin expansion.

At RWE's annual meeting on Thursday, shareholders will be asked to approve a 10-for-1 scrip issue for all common, registered and preference shares. Siemens also holds its balance sbeet press conference on Thursday.

MILAN

A regional court is expected this week to examine an appeal by Mediobanca, the merchant bank, over the Consob bourse watchdog's ruling that it must launch a public offer for more shares in Ferruzzi Finanziaria.

Lawyers say that Wednesday is the first possible date for the bearing and the court is almost certain to meet then.

Mediobanca is expected to argue that it is not obliged to launch any offer for the agrochemical holding company, in which it bought 10.7 per cent of the shares in October. Consob has ruled that Mediobanca must buy a similar number of shares at a similar share price of L1,580. The 10.7 per cent was dilnted slightly by subsequent changes to Ferruzzi's shareholding structure.

MADRID

Investors will be hoping for a pick up in activity after last week's performance, which was reined in by bobidays on Wednesday and Friday.

Among supporters, Mr François Langlade-Demoyen at CS First Boston last week upgraded the Spanish market to overweight on the view that falling interest rates across Europe should have a greater impact on the periphery than the core; and that Spanisb interest rates and the currency should continne to rally.

The stock market, heavily weighted towards interest rate sensitive financials and utilities, was set to benefit. "While Spain is still struggling with fiscal laxity, we believe that fundamentals – inflation, political risk and the budget problems – are improving and should help interest rates to fall further," he said.

JOHANNESBURG

After last week's sterling performance that saw the market spurred upwards by sharply higher industrials, December futures contracts reach close-out on Friday, *writes Mark Ashurst*.

Prices dipped briefly below spot last week after a bearish month, but rallied quickly as the Dow rose and dealers saw the opportunity for arbitrage.

While most contracts would be rolled over to March, all eyes are on the Dow and dealers said several institutions were poised for "a little bit of a sell-off if the opportunity arose".

However, the futures market shadows Wall Street, and dealers are jittery about Wall Street's "ultimate high" and threats to veto the US budget deficit by President Clinton.

Overall, trading is expected to be cautious with little movement, although more pessimistic players short on stock and long on cash have been surprised by encouraging figures for the third quarter.

"In that climate, demand is insatiable," said David Shapiro at Frankel Pollack Vin Divine. Any overhang after the close-out would be absorbed quickly.

HONG KONG

The market, which lost some of its upwards momentum last week after developer Henderson Land made a private placement to raise HK$2.2bn, is expected to continue moving cautiously upwards into the new year.

Brokers reckon the Hang Seng index, which closed on Friday at 9,863.61, is likely to make a fresh assault on the 10,000 mark this week.

The catalyst could again be speculation over a cut in interest rates ahead of next Tuesday's meeting of the US Federal Open Market Committee. However, analysts' expectations of an immediate cut in interest rates are receding. Moreover, concerns that more blue chips might take advantage of stronger sentiment to tap the market will remain in the foreground.

Compiled by Michael Morgan

International offerings

Speed of BP sell-off sparks debate on marketing routes

The speed and efficiency of the UK government's sala of its remaining stake in British Petroleum (BP) through a "bought deal" last week has sparked a debate abont whether the time-consuming book-building process really is the best way to execute equity offerings.

The government raised just over £500m by selling its stake in BP to SBC Warburg, which then sold the shares on at a higher price to institutional investors. The process took less than 24 hours from the competitive auction on Monday evening to the announcement by SBC Warburg the following afternoon that the shares had been placed.

By contrast, vendors which choose the book-building route have to wait many weeks before they receive any cash because of the many stages involved. They may also end up getting a lower price for their shares than they had originally expected if during the book-building process market conditions change for the worse.

Book-building, an import from the US, has become the standard practice for running virtually all primary and most secondary deals in Europe and Asia. Before the US investment banks imposed their way of doing business on their European rivals, equity offerings were traditionally underwritten by banks and sold to investors at a pre-determined price.

Since the US investment banks pioneered the use of book-building outside their domestic market, they are naturally protective about this method when its merits are brought into question.

If book-building is used, they say, the vendor stands to get the best possible price for its shares as well as ensuring a good reception from investors. In their view, the vendor would get less money from a traditionally underwritten deal because, since the banks' own capital was at risk, they would fix the price conservatively.

Second, by matching investor demand and the supply of shares, the shares are less likely to rise or fall significantly when they start trading. Third, the transparent nature of book-building allows the banks to allocate the shares to investors perceived to be long-term holders rather than speculators.

Another advantage whicb banks talk less about is that a book-built offering is less risky than a traditionally underwritten deal bacause tbey only have to commit their capital once they have a pretty good idea about the likely demand and price investors are prepared to pay.

Looking back on the many offerings over the past year, it appears that book-building works best for smaller deals rather than the big privatisations, where investors require a greater degree of commitment from the banks and greater certainty early on about the final size and price of the deal.

In the recent disposal of Unigate's shares in Nutricia, the Dutch baby food company, book-building was deemed to be the most appropriate route because the company was not well-known outside Holland so that extra time was needed to present its investment case to international investors.

Second, since tbe offering was set to greatly increase the free-float of the company, the shares actually rose during the process as investors welcomed tha greater liquidity in the shares. Unigate would not have received that benefit had it sold tbe shares through a bought deal, where the price is usually set at a discount to the market price.

But in the case of BP, which is already widely held and followed by a multitude of analysts, there was no need to spend time marketing the company. Indeed, losing tbe element of surprise, its shares would probably have fallen as the market waited for the overhang of stock to be placed.

For SBC Warburg, wbicb executed both deals, the cboice of book-building for one and a bought deal for tbe otber reflected different levels of risk it was taking with its capital.

Although the BP deal was larger than Nutricia's in monetary terms, it was only a 1.8 per cent stake in a company whose shares were extremely liquid and which was a core holding for many institutions. Therefore, the bank would have felt reasonably confident it could sell the shares quickly.

But a bought deal would not have been appropriate in placing Unigate's 29 per cent stake In Nntricia because the shares were neither liquid nor widely held. Therefore it was necessary to take the time to build up a book of demand.

Althougb there are many examples of successful book-building exercises, the big privatisations this year, especially those with cumbersome syndicates and inflexible structures, have shown that the method has favoured the buyers.

Banks are partly to blame for allowing institutions to get the upper hand because the message from many of them is that the potential size and price of a deal is up to them.

They have learnt to manipulate the book-building process to drive the price down. The main way they do this is by refraining from placing their orders until the very last minute or they make very big orders at a lower end of the price range in the hope they will bring the final price down.

For the more genuine investors, book-building has failed to provide the certainty on size and price which is the main attraction of a traditionally underwritten deal.

Now that several UK investment banks have been swallowed up by Europe's big commercial banks, tbeir parents' balance sheets will be marketed actively as the tool which will provide the certainty lacking in recent privatisations.

Since the US investment banks cannot match this "cheque-book" strategy, they will need to modify the book-building formula to avoid losing business. The most pressing need is to shorten the wbole process, but bankers also expect other developments sucb as slimmer syndicates and less regionalisation.

Antonia Sharpe

SCOTLAND AS A FINANCIAL CENTRE

National pride and a twinge of anxiety

Scotland holds an important place among Europe's finance centres. But financiers are cautious about the impact of Labour's devolution plans, says James Buxton

On several occasions this year people to Scotland have been encouraged to cast their minds back to 1695. In November of that year 172 "adventurers" – nobles, landed proprietors, merchants, judges, lawyers and women of independent means – subscribed the first £100,000 to the capital of the Bank of Scotland.

Over the last few months the tercentenary of the founding by Act of Parliament of the Bank of Scotland has been celebrated at dinners and firework displays, focusing people's minds on an institution which is an inspiring model for the Scottish financial sector.

The bank's lending south of the border now accounts for 60 per cent of its business. It demonstrates that it is possible to run a major UK financial institution from Edinburgh.

Scotland's financial sector is concentrated in Edinburgh and Glasgow, with offshoots in Aberdeen and Dundee. Together it constitutes one of Europe's secondary financial centres, a step down from London or Frankfurt but in the same league as Lyons or Manchester.

At the end of last year 206,000 people in Scotland worked in banking, insurance, finance and business services, as defined by the Department of Employment. The numbers have been roughly static since 1991, but have grown by 40 per cent since 1985, faster than employment in financial services in the UK as a whole which has risen by 29 per cent. The financial sector contributes about 15 per cent of Scotland's gross domestic product.

The central pillars of the Scottish financial community are its banks, its insurance companies and its specialist fund managers.

Unlike almost anywhere else in mainland Britain Scotland has retained its own clearing banks: the Royal Bank of Scotland, the Bank of Scotland and the Clydesdale Bank all issue their own banknotes, and whilst the Clydesdale is a subsidiary of National Australia Bank the other two are independent.

Scotland's concentration of life assurance companies in both Edinburgh and Glasgow, led by Standard Life, Scottish Widows and Scottish Amicable, is impressive, even though they face the same problems of overcapacity as the rest of the industry. Scotland also has General Accident, a major composite insurer based in Perth.

The third pillar is the cluster of specialist fund managers, most of which originated with firms of Scottish solicitors which, more than their counterparts in England, looked after all aspects of their clients' affairs. Scotland's traditional strength has been in managing investment trusts: about a quarter of UK investment trusts are run from Scotland.

When equities under management in Edinburgh and Glasgow are added together they total $141bn *(see table)*, which would put Scotland just ahead of Frankfurt in fifth place in Europe. But a financial centre consists of more than funds under management. Unlike London or Zurich, Scotland lacks a securities market and all the activities and the buzz that come with it, even though the Glasgow unit of the London stock exchange handles nearly half of all UK transactions by private investors.

Mr Grant Baird, executive director of Scottish Financial Enterprise (SFE), the financial sector's trade association, points out that Scotland can provide all the financial services which a company might require, from merchant banking to specialist lawyers and security printing. But the Scottish merchant banking sector is small and big Scottish quoted companies employ merchant banks in London, even if these are sometimes supplemented by those based in Edinburgh.

SFE was set up in 1986 when the Scottish financial community feared being swamped by financial conglomerates in the wake of Big Bang. The threat was staved off and Sir John Shaw, who was SFE's first executive director and is now its chairman, believes the sector is in rather better shape than it was then.

"Scottish institutions have become more focused, with a clearer idea of what they want to do and what's feasible," he says. He points out that though a number of them have lost their independence – Scottish Equitable, for example, was taken over in 1993 by Aegon of the Netherlands, and the fund managers Murray Johnstone now belongs to a US company – their managements have retained their autonomy.

But he believes there is still a "fragility" about the Scottish financial sector which means that continual efforts are needed to ensure that it does not lose momentum.

The sector united in the early 1990s in a high profile campaign to have part of the planned European Central Bank located in Edinburgh – an initiative which failed but raised the city's profile.

More recently SFE and Scottish Enterprise, the development body, helped the London Stock Exchange devise the exchange's Alternative Investment Market, partly because it was seen as valuable for growing Scottish companies and partly because it was hoped part of the new market could be located in Glasgow. The latter did not materialise but stockbrokers based in Scotland have become deeply involved in AIM.

Part of the fragility of the Scottish financial sector, believes Sir John Shaw, now deputy governor of the Bank of Scotland, is "a tendency to self-limitation". He points out that although the much vaunted quality of life north of the border enables Scotland to attract and retain able people, "some people get seduced by it. They accept limits to growth when they encounter the discomfort threshold, the point at which growth is going to interfere with their fishing, with their weekends."

He also detects in some Scottish financial institutions a "collegiate style of management" which is effective in its own terms but which may make those involved "nervous of their ability to cope with differing cultures" and make it difficult for them to change. Though some elements in the Scottish financial sector are proud to keep themselves small, Sir John points to Standard Life and Scottish Widows as demonstrating that "size does matter."

An outside observer might agree that despite the growth of the banks and the life companies the Scottish financial sector lacks a certain dynamism. Despite its strong tradition of fund management, it has not created institutions on the scale of Mercury Asset Management or Save and Prosper, and the fund managers have not made serious inroads into the unit trust market.

One thing, however, has changed: it is scarcely justifiable any longer to refer to the Scottish financial sector as being based in Charlotte Square with its slight connotations of aloofness. About three years ago most of the big firms of fund managers, lawyers and accountants gave up the struggle to run efficient businesses in five storey buildings in the heart of Edinburgh's Georgian New Town.

They moved a few hundred yards to offices near Lothian Road, where a new financial complex is being created. Though the fund managers Ivory & Sime are still in Charlotte Square about half the other buildings there are empty.

The Scottish financial sector's next challenge is to ensure that it is not damaged by the Labour party's plans to create a devolved parliament in Scotland if it wins the next general election. Last year Sir Bruce Pattullo, governor of the Bank of Scotland, urged Scottish businesses to join the debate about devolution or risk having their views ignored by the politicians.

Since then there have been several meetings between members of the financial community and Mr George Robertson, the shadow Scottish secretary. He has made clear that, although the Scottish parliament would have the power to raise the basic rate of income tax by 3p in the pound, it would not alter corporation tax nor impose a separate regulatory regime for the financial services industry north of the border.

That is a cause for relief, but few in the financial community are enthusiastic for constitutional change, partly out of a simple dislike of uncertainty. There is also a fear that people in England will not distinguish between devolution and independence, and that their English competitors could steer clients away from Scottish institutions, especially life companies, by implying that they are not completely safe as a repository for money.

Since Scottish institutions pride themselves on being stable and prudent, devolution is being seen as an unwanted extra challenge.

Cities ranked by total institutional equities ($bn)

Rank	Target city	1994 total	1993 total
1	London	753.7	681.6
2	Zurich	379.0	375.1
3	Geneva	242.4	244.4
4	Paris	231.3	225.6
5	Frankfurt	129.1*	118.7*
6	EDINBURGH	113.6	107.4
7	Basle	57.5	52.3
8	Stockholm	54.6	51.6
9	Amsterdam	47.2	44.0
10	Milan	44.6	40.4
11	Brussels	43.5	46.8
12	Dusseldorf	41.8	31.9
13	GLASGOW	27.4	28.9
14	Munich	25.3	24.0
15	Rotterdam	21.7	21.2
16	The Hague	20.6	18.2
17	Vienna-Linz	18.4	15.9
18	Utrecht	16.1	15.7
19	Stuttgart	14.9	N.A.
20	Dublin	14.7	15.0
21	Copenhagen	14.6	10.0
22	Lugano	14.2	14.4
23	Eindhoven	12.8	12.5
24	Heerlen (Neth.)	12.1	9.1
25	Vaduz	7.4	7.5

* Includes portfolio-managed shares, excludes intercompany holdings. Source: Technimetrics

Tercentenary fireworks display in Edinburgh: the Bank of Scotland celebrates in style

■ **Corporate finance:** by James Buxton

New companies proliferate

In the first half of 1995, the banks have assisted in the birth of 11,000 new businesses

"Scotland has a very entrepreneurial environment." The remark, from a young corporate finance specialist who recently returned to Scotland after working for a London merchant bank, seems surprising at first, since the usual lament is that Scots lost their entrepreneurial drive decades ago.

Yet in the past few years a flood of initiatives has been launched to encourage people to start new businesses and help existing companies move into a different league.

Several of Scotland's local enterprise companies (the equivalent of training and enterprise councils in England) run courses to assist professionals and middle managers to set up their own businesses. Scottish Enterprise, the development body, two years ago launched a business birthrate initiative aimed at reversing Scotland's low rate of business startups.

It chose a bottom up strategy, that waited for people and organisations to start their own initiatives to restore Scotland's entrepreneurial drive rather than dictating from above. But the mood this has engendered, plus small amounts of financial help, spawned such things as organisations to channel finance to companies from business angels, business forums where people present their ideas to their peers, and an entrepreneurial exchange to link established entrepreneurs with those aspiring to emulate them.

It is difficult to quantify the result of all these activities, though the Scottish clearing banks recently helped establish a survey of business startups which showed that 11,000 were created in the first two quarters of 1995. This will be a benchmark for subsequent trends.

Scottish Enterprise has also helped the process of business growth by launching a scheme, unique in the UK, to provide an interest rate guarantee on bank loans for companies employing fewer than 250 people.

It hopes next year to launch the Scottish Equity Partnership, a £25m fund intended to take equity stakes of between £50,000 and £500,000 in Scottish companies, filling a gap which few UK providers of venture capital are prepared to consider because of the disproportionately large administration costs.

To do the same thing in the north of Scotland, Highlands and Islands Enterprise has already set up HIE Ventures, with an initial £2.5m of capital.

Scottish Enterprise and Scottish Financial Enterprise, the private sector organisation which represents the financial sector, studied the problem of bringing small companies to the Stock Exchange. Though earlier hopes that the Alternative Investment Market (AIM) might have a Scottish base were not fulfilled, Scotland has a strong representation among the companies listed on AIM.

These activities mean more business for Scotland's network of stockbrokers, lawyers, accountants, venture capital providers and merchant banks. The Glasgow corporate finance department of stockbroker Allied Provincial, which recently merged with Greig Middleton, has brought a number of companies to AIM. Its Edinburgh rival, Brewin Dolphin Bell Lawrie, is also qualified to do so.

For example, Creos International, a company based in Fife and in Denver, Colorado which develops and manufactures high voltage generators for medical imaging equipment, came to AIM in October in an issue underwritten by Greig Middleton which raised £4m. It is now capitalised at £43m.

3i, the investment capital group, is a major supplier of capital to companies in Scotland, investing £45m through 66 transactions in the year to March 1995. According to the British Venture Capital Association 3i was involved with 46 per cent of the companies in Scotland which received capital from BVCA members in 1994.

Its operations in Scotland are being upgraded. This month 3i made Mr Willie Watt, a director in its Glasgow office, the director with overall responsibility for 3i's Scottish operations.

A typical deal in which 3i was involved was the merger of Eraba with Optima Enclosures, two specialists in the making of enclosures and components for the electronics industry, to form Walter Dickson Group. 3i invested £7.5m in equity. Optima's lawyers in the deal were Dickson Minto, the Edinburgh and London corporate lawyers who have developed strongly in the English management buyout market.

> Two years ago a public initiative was started to reverse the low start-up rate

Royal Bank Development Capital, an offshoot of the Royal Bank of Scotland, is another supplier of equity finance to companies with little or no access to capital markets. It operates both in Scotland and the rest of the UK. In a typical recent deal it provided capital, along with 3i, for Precision Technology, a Scottish mechanical engineering company, to buy another engineering company, Graessner of Stuttgart.

There is only a handful of indigenous Scottish corporate finance houses. British Linen Bank, a subsidiary of Bank of Scotland, is the biggest merchant bank. It provides banking and corporate advisory services throughout the UK.

Noble & Company is one of those Edinburgh businesses which constantly provides surprises through the extent and imaginativeness of the interests in which it is involved, often outside Scotland. For example, in 1994 it helped Waverley Mining Finance, a quoted Scottish mining finance house, to raise £6.3m to take a 22 per cent stake in Mining (Scotland) which bought the Scottish coalfield from the government.

It has sponsored three corporate capital vehicles for the Lloyd's of London insurance market including Wellington Underwriting and Premium Underwriting. It also has an investment management arm, Noble Investments, which has about £50m under management and is attracting private clients.

Noble & Co should not be confused with Noble Grossart, the best known of Scotland's smaller merchant banks. It sponsored the successful flotation in September of Morrison Construction, the Edinburgh-based construction group, which raised £20m of new capital.

Given the poor regard the market had for the construction sector, it was a brave initiative. Morrison now trades at a small premium and is capitalised at £80m.

Finally Quayle Munro, based like the last two institutions in Georgian houses in Edinburgh but the only one to be in Charlotte Square, is also the only one to be quoted on the stock exchange.

It is both a merchant bank and an investment company which came to the stock exchange in 1993 following a reverse takeover of Quayle Munro by East of Scotland Industrial Investments, the investment company it had built up.

It employs only eight people but its portfolio of quoted and unquoted investments covers companies all over Britain. It also advises the Scottish Office on privatisation.

Having advised it on the sale of the Scottish Bus Group, it is currently advising the Scottish Office on involving the private sector in the state-owned Highlands and Islands Airports, and was financial adviser to British Polythene Industries in its £24m bid for Parkside International.

■ **Banks:** by James Buxton

Merger that raised no hackles

The TSB-Lloyds merger has sparked speculation about two other Scottish clearing banks

The merger of a prominent Scottish business with a large English one rarely passes without arousing overt opposition north of the border. But satisfaction was the main response to the merger, announced in October, of Lloyds Bank with TSB Group.

Although the bulk of TSB Group's business is outside Scotland, the company's Scottish origins were a big issue in the run up to the group's flotation in 1986. Its Scottish subsidiary TSB Bank Scotland still has its own board, and its head office, Henry Duncan House in George Street, is a landmark in Edinburgh.

The indications are that TSB Bank Scotland, whose total assets in 1994 of £3.8bn makes it Scotland's fourth largest bank, will do well from the merger because there is very little overlap in Scotland between the two banks. Lloyds' strength is in southern England and it has only four branches in Scotland.

Under the merger TSB Bank Scotland will continue to operate as a separate entity and retain its board. According to Mr Alastair Dempster, its chief executive, there will be oo net job losses among its 3,200 employees. Furthermore Henry Duncan House will become the registered office of the renamed Lloyds TSB Group, boosting the ranks of companies registered in Scotland.

The existence of four clearing banks based in Scotland (three of whicb issue their own banknotes) is one of the most important factors distinguishing Edinburgh and Glasgow from other UK financial centres. Scottish banks have a snbstantially larger share of UK bank assets than Scotland's nine per cent share of the UK population.

But the flurry of takeover speculation about the two indepeodent Scottish clearing banks which the Lloyds-TSB merger unleashed was a reminder of the vulnerability of the Scottish financial sector.

Bank of Scotland governor Sir Bruce Pattullo in his bank's London branch: 'grand designs have led other banks into trouble'

In late October wild rumours swept the Loodon stock exchange about the future of the Royal Bank of Scotland.

The Royal Bank of Scotland is Scotland's biggest bank, and its reach extends into England where it has more than 300 branches. Its performance in 1994-95, when pre-tax profits, having doubled the previous year, rose 13 per cent to £602m, included £112m from Direct Line, its subsidiary that pioneered the direct selling of motor insurance and is oow the UK's largest motor insurer.

Senior executives of the Royal Bank acknowledge privately that the Royal would be a good buy for other actors in the UK financial services industry, partly because of Direct Line, and partly because its English network would provide scope for rationalisation.

In the event no bid materialised and the Royal's indepeodeoce may have benefited from clever footwork by Mr George Mathewson, the Royal's chief executive, and Mr Peter Wood, the founder and chief executive of Direct Line.

First Mr Wood warned that he might build a rival operation to Direct Line if the bank were taken over; then the bank extended his service contract but clarified that he could still resign if he did not like a new owner.

The Royal is emerging from a period of restructuring. The branch structure has been reorganised to cooceotrate responsibility at key offices, resulting in the departure of some bank managers. Mr Mathewson has built up a team of senior executives who served with him in the past at the Scottish Development Agency and at 3i.

The Bank of Scotland this year celebrated the 300th anniversary of its founding by Act of Parliament in 1695 with a modest display of pride at its survival coupled with satisfaction at its progress since 1979 when Bruce Pattullo became treasurer (chief executive).

In that time it has consistently increased operating profits, its balance sheet has grown tenfold and it has pursued a strategy which has led to it having 60 per cent of its business in England, despite only a skeletal branch network, supplemented by its piooeering home and office banking system, HOBS.

Sir Bruce Pattullo, now governor and knighted this year, insists that there has been oo grand design, and thinks grand designs have sometimes led other banks into trouble. Rather, he says, the bank was motivated by the imperative of survival as English banks began competing in Scotland (largely unsuccessfully as it turned out). Instead the Bank of Scotland was guided by stern principles and a willingoess to let its managers have their head.

This October it agreed to buy the Bank of Western Australia, a retail bank in Perth, for an eventual £235m. This surprised some observers but it fitted in with the bank's other interests in Australasia. The bank has had limited success expanding in Europe.

The Clydesdale Bank, which belongs to National Australia Bank, is Scotland's third biggest clearer. It operates only in Scotland and partly blamed that for the fact that its pre-tax profits rose only 2.6 per cent to the £114m in 1994-95. Yet observers in Scotland consider it an institution with further profit potential.

The bank, which had total assets last year of £6.7bn, is in what it calls a "transitional phase" as it digests big changes in its operating methods.

Since mid-1993 it has moved processing from its branches to two centres and separated business from personal lending. It is oow upgrading its computer systems to make its operations more flexible.

Its senior management is changing. Mr Frank Cicutto, the chief executive, has appointed a new executive team in the last 18 months and on his return to Australia next year will be replaced by Mr Fred Goodwin, a 36 year-old accountant who joined Clydesdale only in April from Toucbe Ross.

Mr Goodwin, who had previously been the bank's anditor, acknowledges that the reorganisation of the branches, which oo longer carry out processing, has been "culturally and emotionally a huge upbeaval".

But he believes that, as the effect of the changes come through, the bank's cost earnings ratio will fall sharply from its current 60 per cent. "A 40 per cent ratio is achievable," he says.

PROFILE PETER BURT OF THE BANK OF SCOTLAND

The mould breaker

The headhunters may call every now and then, but Peter Burt, deputy chief executive of Bank of Scotland, is not tempted, writes a correspondent.

"I am extremely lucky, I have got a job I really enjoy, I work with people I respect enormously in an organisation which is a good employer."

Mr Burt's name has been linked in the press with several high-profile jobs, notably Barclays Bank, when it was looking for a chief executive, and the Bank of England when last year it suddenly had to find a new Deputy Governor. Even though the speculation was off-beam in both instances, the fact that he was mentioned reflects his considerable contribution to Bank of Scotland's development into one of the UK's most admired banks.

After a classic Scottish east coast education at Merchiston and St Andrews University, Mr Burt, whose sporting claim to fame is that he was the first amateur to break 70 at Muirfield, launched his career in the US. After an MBA in marketing at Wharton Business School, his first job was as an information systems analyst with Hewlett Packard in California, where he worked for two years before returning home to Conversational Software, a computer software company.

His move into banking in 1974 came via Edward Bates, a small merchant bank rescued by the Bank of England in 1975 during the secondary banking crisis. Mr Burt worked in its Edinburgh office, set up to specialise in North Sea oil and energy. But after eight months the staff were made redundant and he was unemployed for three months before joining Bank of Scotland. He worked in the energy divisioo and then the international division before becoming the clearing bank's treasurer in 1988.

That spell on the dole has coloured his thinking on how the restructuring which the banking sector has been going through should be carried out. While its competitors have been announcing large-scale redundancies, Bank of Scotland has had a policy of no compulsory redundancies in the clearing bank, and yet has quietly reduced employee numbers, using natural wastage and a slowdown in recruitment.

"The fact that we have never had a redundancy policy is because we have never needed one. I don't think it is desirable. The damage it does to morale is huge and it is unnecessary."

Mr Burt, 51, belongs to the school of thought that says that if people do a bad job it is generally management's fault, often for not training them well enough.

In something as big as a bank, training becomes even more important. "You can't manage an organisation of 10,000 people, the best you can do is persuade them to do what you think you should do. You aim them at a distant goal and say 'that is what we are trying to achieve, yoo are going to have to get there under your own steam'."

The skill, Mr Burt argues, lies in preventing things going disastrously wrong. He draws the analogy of people walking across a ditch but oot across the Firth of Fortb.

"Possibly the hardest thing of all is to teach them to differentiate between the two. You have to give people the skills to probe the depth of the ditch. We have been less unsuccessful at that than other banks."

In 21 years with Bank of Scotland, Mr Burt has seen buge changes in the industry and does not believe the pace will slacken... "If we don't change we will go the same way as the old British Leyland."

The biggest change he expects to see before his retirement is the relative demise of the branch network. Before anyone jumps to the wrong conclusions, Mr Burt stresses that the demise of the branch will be accompanied by a corresponding rise in "offices" responsible for handling their customers' business and which will each effectively be a small business in its own right.

"The distinction I would draw is that branches do a lot of processing. More and more stuff is done centrally and branches are turning into offices very rapidly."

As a result, he believes it is inevitable that local managers will return to having as much decision-making power and responsibility as they did 20 to 40 years ago.

Peter Burt: a policy of no compulsory redundancies

هكذا من الاصل

■ **Life assurance:** by Colin Calder

Prepared to take casualties

The market admits it is too crowded and is bracing itself to cope with radical change

Although some analysts are making dire warnings that consolidation is about to rip through the Scottish life assurance industry its leaders are not shaking with fear, even though "fundamental shake-out" is inevitably being discussed in boardrooms.

Some life companies are considering abandoning their mutual status – under which they are owned by their policyholders – in favour of Stock Market flotation, to obtain extra capital to compete for the limited amounts of new business around.

"Consolidation in this over blown sector is much needed," says Bill McCall, an analyst with the stockbroker Tilney & Co in Edinburgh. "Rationalisation within the industry is the only way the big players are going to increase market share.

"There are simply too many players. It is an extremely cut-throat business and margins are coming under increasing pressure."

With recent reports suggesting that up to 40 of the 100 or so life offices in the UK will have gone by the end of the decade, Mr Mike Ross, chief executive of Scottish Widows, is one who agrees that there are challenging times ahead for Scotland's eight life offices.

"Only the large, strong players will survive from what is an overcrowded, competitive environment into the next century. As other companies are either absorbed or fade away, the main players will be able to push up market share quite considerably."

League table of Life Assurance houses

Position	Name	Assets £m
1	Standard Life	30,930
2	Scottish Widows	12,088
3	Scottish Amicable	9,679
4	Scottish Equitable	4,903
5	Scottish Provident	4,060
6	Scottish Life	3,967
7	Scottish Mutual	3,785
a	Britannia Life	2,981

Source: Money Management, November 1995

Not that the industry in Scotland – which dates back nearly 180 years to 1816 when the Scottish Widows Fund and the Life Assurance Society were formed – has been immune from change.

Scottish Mutual lost its mutual status when it was taken over by Abbey National for £285m in 1992; Scottish Equitable was taken over by Aegon of the Netherlands in 1993; and Britannia Life acquired Life Association of Scotland for £35m in the same year.

Mr Peter Burdon, managing director of Britannia Life, has predicted that two more Scottish companies could disappear within a decade.

The industry is a big contributor to the Scottish economy. Two-thirds of its 21,200 jobs are in Scotland, while funds under management were £93.9bn at the beginning of 1995, dipping by 1.2 per cent from the previous year's £95.1bn.

Standard Life continues to thrive. It is the biggest mutual insurer in the UK and is beginning to expand on the continent, first in Spain and next year in Germany. It hopes later to go further afield to set up a joint venture in India.

Scottish Widows is keen to grow but some observers consider it has a fairly weak "keeping our fingers crossed" strategy to achieve that.

Scottish Amicable, although third in the league table, is considered by some commentators "not to be large enough to feel safe".

Recently it held talks with the Alliance & Leicester building society about a possible merger, admitting that mutual status "was not sacrosanct". Amid the flurry of activity Mr Graeme Knox, the long-serving head of its investment management arm, departed.

Scottish Equitable seems in a strong position given its deal with Aegon, but the remaining two mutual offices, Scottish Provident and Scottish Life, are considered to be vulnerable because of their relatively small size.

Both use independent financial advisers to sell their products. According to Mr Jim Gilchrist, director of Scottish Life, that has given them "a larger slice of a falling market".

Mr Gilchrist is optimistic, believing the industry is over the worst of the effect of the pensions transfer and mis-selling scandals which caused business levels to slump by nearly a third over the last two years.

"We are confident that the fall in the market has bottomed out and that new business levels should start to recover during 1996."

The two companies at the bottom end of the league table – Scottish Mutual and Britannia Life – are actually showing considerably improved performances, with premiums rising and costs being reduced.

All they are looking for is slightly more growth but, given that they both enjoy building societies as parents, they should have the capital to compete.

The one significant blot on the horizon for the Scottish life offices remains the impact on their businesses from the possible creation by a Labour government of a Scottish parliament with tax-raising powers.

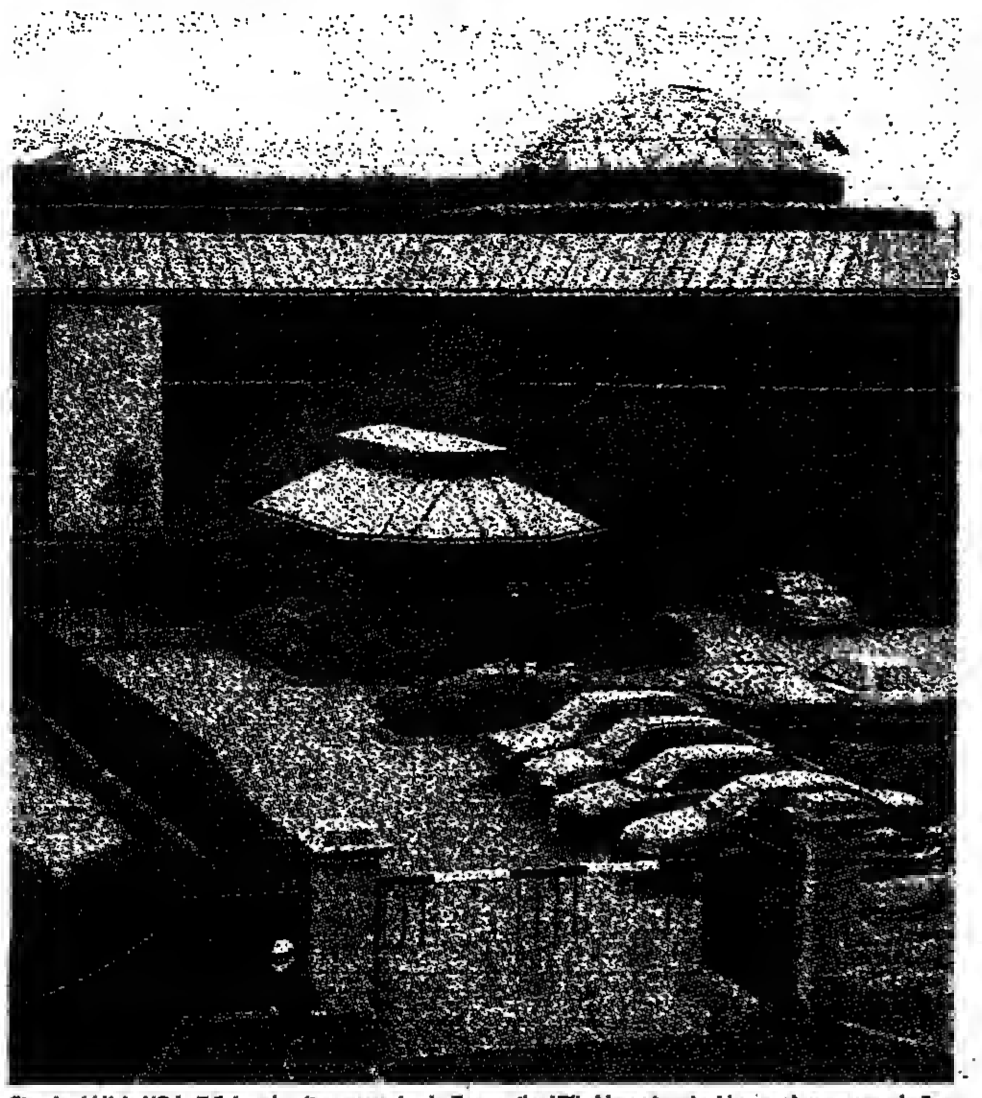
Although Labour has said there would be no change in the regulatory system for financial services in Scotland, companies fear the impact on their costs of a possible extra 3p on income tax in Scotland, and think their competitors in England might try to steer customers away from Scottish life companies.

Mr Ross of Scottish Widows says he hopes nothing will be done to "damage our presence in Scotland or damage the perception of those who want to invest with us. It is important to remember it is not just what the Scots think, but what the people who do business with the Scots think."

But Mr Gilchrist of Scottish Life says: "There is now no overwhelming reason to continue to say 'no change'."

In 1992, during the run-up to the general election, the Associated Scottish Life Offices stated that "maintenance of the status quo would clearly be in the best interests of customers and staff".

"There is much less hysteria now," said Mr Gilchrist. "You must give credit where credit is due. The Labour party have made strong efforts to communicate with the financial sector."



Standard Life's HQ in Edinburgh: after expansion in Europe the UK's biggest mutual insurer has eyes on India

PROFILE SCOTT BELL OF STANDARD LIFE

Self-effacing style of a power in the land

Standard Life is an imposing presence in Edinburgh. It occupies no fewer than 23 buildings, and is erecting a large new head office in the centre of the city. Its assets are almost three times those of its nearest competitor in Scotland, Scottish Widows.

Yet in human terms it has a modest public profile on its home ground. The same goes for Mr Scott Bell, Standard Life's group managing director. He rarely gives interviews and, unlike other leading figures in UK life assurance, seldom makes public pronouncements.

"I know our public relations department would like us to have a higher profile, but we've never actually sought one and are happy with our profile the way it is," says Mr Bell. "I don't think we are unable to exercise our influence on the affairs of our industry as a result. We do so through our trade associations."

Mr Bell, who had indicated that he would not welcome personal questions, has been with Standard Life since 1959 when he was 18. "Too long," he smiles. His manner is less that of the archetypal actuary than of a Scottish medical consultant, crisp and direct but not unfriendly.

Since he joined Standard Life it has progressed from having total assets of about £200m to its present £40bn, making it the UK's biggest mutual life assurance company. Over that period staff numbers have risen, but not proportionately, from about 1,000 to 5,000, including staff in Canada, its biggest subsidiary.

Mr Bell says the main factor that has enabled Standard Life both to grow and increase its market share during that time, especially in the last 20 years, is its financial strength. "It allows us more investment discretion, enabling us to favour equities more than some of our competitors, giving us better returns. This has led to better products."

Scott Bell: financial strength allows us more investment discretion

The whole life assurance sector had grown rapidly in the 1980s but Standard Life had expanded at a pace the business could sustain, he said. Other companies had been impaired by growing too fast. "Our position in terms of strength has improved over the years. We are one of the few life assurance companies to have a triple A rating from both Moody's and Standard & Poor's."

> 'The industry is going through a difficult time since demand for its products has declined'

Although some people have criticised Standard Life for having been content mainly to expand its UK life and pensions businesses while eschewing ambitions elsewhere, Mr Bell says they are now wrong.

Apart from a substantial presence in Canada, which accounts for a fifth of the company's business, Standard Life bought Prime Health, a UK health insurance company, two years ago and has started operating in continental Europe.

After lengthy deliberation, three years ago it bought Prosperity, a life assurer in Spain, and is expanding it in a growing market. "We are very pleased with it," Mr Bell says. Standard Life is shortly to begin operating in Germany and is planning to return to India which it left after independence in 1947.

What has made Standard Life change its strategy? For one thing, Mr Bell says, "the management team here has changed in the past five years". He became managing director in 1988 but adds: "Please don't personalise it."

Moreover the industry has changed, with the UK oversupplied with life companies. "The companies that are struggling will contract in providing investment products."

The whole industry is going through a difficult time, he points out, since demand for its products has declined because of the lack of a feel good factor, and because of the bad publicity over mis-selling of pensions. But the longer term outlook is good as the welfare state contracts, Mr Scott believes.

The company's proliferation into 23 offices in Edinburgh is a legacy of the expansion in the late 1980s. "I'm not particularly proud of it," he admits. "But when we've moved into our new head office in Lothian Road next autumn we will refurbish the old head office in George Street. Once that reopens Standard Life will occupy just three buildings." Rationalisation will have caught up with reality.

James Buxton

■ **Fund managers:** by James Buxton

A bit of rough and tumble

Ripples are still spreading from a battle in a top Scottish fund management firm

News from Scotland's specialist fund managers normally consists of sparsely written statements about the investment trusts they run or the winning of new business.

But a press release at the end of October from Dunedin Fund Managers was different. It said Mr Hamish Leslie Melville and Mr Alan Kemp, respectively executive chairman and deputy chief executive, were resigning.

Two days later Dunedin admitted the resignations followed those of the company's marketing director in Chicago and of two senior fund managers. Not surprisingly there have since been few other topics of conversation in the discreet world of Scottish specialist fund managers.

The story has a resonance beyond the company, the second biggest specialist fund manager in Scotland with funds of about £5bn, because other investment managers fear their operations, especially those in the US, could be tainted by the bad publicity for Edinburgh generated by Dunedin's difficulties.

At Dunedin the managers resigned because of unhappiness at the forceful managerial style of Mr Leslie Melville who had markedly improved the company's performance since arriving in 1992 after a successful career in the city. Difficulties began after he replaced the company's investment director in August.

Another issue was dissatisfaction with financial incentives for key employees at Dunedin, which is 50.5 per cent owned by the British Linen Bank, an offshoot of the Bank of Scotland. Mr Leslie Melville was urging his parent company to enable him to resolve it.

Faced with defections by key staff Sir Bruce Pattullo, governor of the Bank of Scotland, decided that the two top men should go. But the strategy failed because the fund managers would not change their minds and are now establishing their own fund management operation, named Castle Rock, with offices in Chicago and Edinburgh. A further six fund managers resigned this month.

Mr Eric Sanderson, chief executive of the British Linen Bank, stepped temporarily in at Dunedin and succeeded in reassuring most of the US institutional clients who account for 40 per cent of the company's funds under management. But he has said that a small number have switched their funds elsewhere, though contracts for new US funds have been secured.

Specialist fund managers in Scotland, as distinct from life assurance companies, had funds under management of around £40bn at the beginning of this year, according to Scottish Financial Enterprise. They are therefore minnows compared with big London fund managers such as Mercury Asset Management, and despite a respectable flow of new issues and new mandates obtained their small share of the UK market is probably declining.

Gavin Gemmell of Baillie Gifford: a sensible ownership structure

Furthermore they have hitherto resisted any idea of rationalisation in the sector: if anything, the tendency is towards further fragmentation. "Why doesn't one of them do something ambitious like offer to take on all the fund management of a mutual life company?" says one observer of the Edinburgh scene.

Nevertheless, they form a distinctive cluster on the UK financial scene and pride themselves on the detachment they believe they gain from being in Scotland and not in London. A quarter of UK investment trust assets are managed from Scotland, including the largest self-managed trusts, the Alliance Trust (based in Dundee) and Scottish Investment Trust.

"Small organisations are not at a huge disadvantage in fund management," says Mr Gavin Gemmell, senior partner of Baillie Gifford, easily the biggest firm in its category with £11bn under management at the end of September.

Baillie Gifford, which won a Queens Award for Export Achievement this year because of its success in winning clients in the US and Japan, claims to be the fifth biggest provider of investment trusts in the UK. More than half its assets under management consist of UK pension funds, of which it manages more than £6bn. It would now like to develop in continental Europe.

The firm is a partnership and Mr Gemmell says: "The more turbulence we see in our industry the more sensible our ownership structure appears: being a partnership enables us to control the rate and direction of our growth."

Murray Johnstone, which is based in Glasgow, was bought two years ago by United Asset Management, a US company which owns a clutch of fund managers. UAM takes all its subsidiaries' revenue and leaves control of costs to their managers who have incentives to perform.

Mr Giles Weaver, managing director, says it is more important to concentrate on revenue than simply accumulate funds under management. Though Murray Johnstone, which manages about £4bn, is no longer a significant player in managing pensions he points out that pension mandates can be switched at a day's notice. "There is more revenue to be had in managing investment trusts and other funds under term contracts," he says.

Slightly smaller fund managers are Martin Currie and Edinburgh Fund Managers, both in Edinburgh. While EFM is a quoted company, with 54 per cent of its equity belonging to British Investment Trust, some 80 per cent of Martin Currie belongs to its staff with the rest held by institutions. It has a strong specialisation in emerging markets.

Another quoted fund manager is Abtrust, based in Aberdeen, which has grown rapidly partly by acquisition and has about £2.6bn under management.

Now moving into the middle ranks of the industry is Stewart Ivory, which now runs £2bn worth of funds including the Scottish American Investment Trust (Saints) and has a range of pension fund clients, unit trusts and a private client business.

It is not to be confused with Ivory & Sime which celebrates its centenary this year. Ivory & Sime has been through turbulent times in the past few years with departures of senior staff, a changing pattern of ownership (it is listed on the London Stock Exchange) and a faltering investment performance.

Last year Caledonia Investments acquired 29.9 per cent and installed Mr Colin Hook as managing director. Mr Hook is a very determined former army officer. He has reorganised I&S's internal management and brought in Mr John Stubbs from Postel, Britain's biggest pension fund, as chief investment officer. He has made a number of small acquisitions and reorganised some of the trusts which I&S manages.

He says fund management performance is improving and hopes the stock market will soon recognise the fact. "I reckon they've given me 18 months," he says. I&S manages around £4bn.

Edinburgh is also the home of the WM Company, one of the few companies worldwide which measure the performance of investment managers all over the world. It employs about 550 people and is one of two Scottish subsidiaries of the US Bankers Trust which has the European headquarters of its custody operation in Edinburgh, with about $40bn of assets under administration.

While WM was an established business which was hived off from Wood Mackenzie, the stockbrokers, Bankers Trust chose in 1987 to set up in Edinburgh because of the city's very large pool of experienced investment administrators.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 7 / Sch)

BELGIUM/LUXEMBOURG (Dec 8 / Frs.)

CZECH REP (Dec 8 / Koruna)

DENMARK (Dec 8 / Kr)

FINLAND (Dec 8 / Mks)

FRANCE (Dec 8 / Frs.)

GERMANY (Dec 8 / Dm.)

GREECE (Dec 8 / Drachma)

ITALY (Dec 7 / Lire)

NETHERLANDS (Dec 8 / Fls.)

NORWAY (Dec 8 / Kroner)

POLAND (Dec 8 / Zloty)

PORTUGAL (Dec 7 / Escudo)

SPAIN (Dec 7 / Pts.)

SWEDEN (Dec 8 / Kronor)

SWITZERLAND (Dec 8 / Frs.)

TURKEY (Dec 8 / Tk Lira)

PACIFIC

JAPAN (Dec 8 / Yen)

HONG KONG (Dec 8 / H.K.$)

INDONESIA (Dec 8 / Rupiah)

MALAYSIA (Dec 8 / MYR)

NEW ZEALAND (Dec 8 / NZ $)

SINGAPORE (Dec 8 / S$)

AUSTRALIA (Dec 8 / Aust$)

SOUTH KOREA (Dec 8 / Won)

TAIWAN (Dec 8 / TW $)

THAILAND (Dec 8 / Baht)

NORTH AMERICA

CANADA

TORONTO (Dec 8 / Can $) 4 pm close

MONTREAL (Dec 8 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Dec 8 / Rand)

INDICES

	Dec 8	Dec 7	Dec 6	1995 High		Low	
Argentina							
General (29/12/77)	(c)	14763.13	14984.66	16531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2188.1	2198.2	2198.6	2203.30	5/12	1823.30	8/2
All Mining(1/1/80)	1010.9	1015.4	1014.0	1029.50	7/8	785.30	8/2
Austria							
Credit Aktien(30/12/84)	(c)	349.62	337.45	395.42	2/1	328.50	27/10
Traded Index(2/1/91)	(c)	965.41	948.22	1068.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1516.43	1509.88	1505.79	1516.43	6/12	1271.53	9/3
Brazil							
Bovespa (29/12/83)	42993.0	43108.0	43036.0	48612.00	19/9	21382.00	9/3
Canada							
Metals Mins♦(1975)	5149.77	5184.59	5247.24	5266.37	23/11	3808.63	1/3
Composite♦ (1975)	4740.60	4724.30	4745.10	4745.10	6/12	3991.41	30/1
Portfolio§§ (4/1/83)	2337.39	2323.18	2337.00	2337.39	8/12	1853.38	30/1
Chile							
IGPA Gen▼(31/12/80)	(c)	5606.44	5645.19	6363.10	11/7	4576.99	9/3
Denmark							
CopenhagenSE(3/1/83)	366.32	367.51	365.75	375.44	25/8	330.81	29/3
Finland							
HEX General(28/12/90)	1843.57	1860.44	(c)	2332.22	14/9	1555.30	29/3
France							
SBF 250 (31/12/90)	1225.56	1219.00	1213.74	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1855.33	1846.80	1834.75	2017.27	13/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	809.83	814.12	810.57	846.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2345.8	2355.4	2345.6	2427.80	19/9	2018.70	30/3
DAX (30/12/87)‡	2267.80	2263.11	2267.18	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	901.35	908.44	909.68	982.89	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9863.61	9863.98	9898.89	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3083.32	3132.19	3069.92	3992.09	2/1	2922.18	29/11
Indonesia							
Jakarta Comp.(10/8/82)	506.12	502.62	498.23	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2250.49	2260.71	2253.08	2260.71	7/12	1813.59	23/1
Italy							
Banca Comm Ital (1972)	(c)	558.21	553.31	680.54	10/2	547.79	5/12
MIB General (2/1/95)	(c)	883.0	874.0	1076.00	10/2	865.00	5/12
Japan							
Nikkei 225 (16/5/49)	19286.97	19412.32	19067.86	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	287.35	289.22	283.90	289.22	7/12	222.26	13/6
Topix (4/1/68)	1527.34	1535.91	1510.38	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	2008.86	1994.10	1976.77	2130.68	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	976.96	986.00	985.76	1085.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2667.20	2680.87	2724.50	29/11	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	523.2	521.7	524.2	524.20	6/12	422.80	23/3
CBS All Shr (End 83)	316.8	315.9	317.4	317.40	6/12	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2120.52	2116.20	2131.31	2206.02	20/10	1801.43	5/1
Norway							
Oslo SEInd(2/1/83)	1238.86	1244.05	1234.38	1292.16	18/10	1038.06	10/3
Philippines							
Manila Comp (2/1/85)	2500.84	2537.18	2572.16	2958.12	10/7	2196.48	20/11
Portugal							
BTA (1977)	(c)	2488.8	2485.7	2911.60	9/1	2412.90	22/11
Singapore							
SES All-S'pore(2/4/75)	525.71	527.88	527.41	535.05	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1370.8▼	1333.8	1350.1	2023.00	2/1	1250.20	30/10
JSE Ind. (28/9/78)	7870.6▼	7939.3	7815.7	7938.30	7/12	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)**	958.67	960.57†	954.61	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	(c)	313.17	(c)	318.98	13/9	264.86	23/3
Sweden							
AffarsvaridnGen (1/2/37)	1719.3	1727.0	1736.6	1872.10	19/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1493.85	1493.34	1504.69	1508.68	4/12	1174.63	13/3
SBC General (1/4/87)	1112.44	1111.67	1120.94	1120.94	6/12	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4836.04	4748.64	4722.93	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1352.64	1369.66	1375.63	1472.94	10/7	1135.69	16/3
Turkey							
Istanbul Comp.(Jan 1986)	41846.4	41356.9	40863.0	54653.90	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)§	725.2*	728.3	727.5	728.30	7/12	586.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1467.57	1462.47	1464.49	1480.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1314.90	1312.35	1315.95	1316.88	15/9	1177.34	9/3
JCapelDrgns (31/12/88)	(u)	335.54	336.63	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	144.55	145.29	144.93	158.87	2/1	117.15	10/3

US INDICES

Dow Jones	Dec 8	Dec 7	Dec 6	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5156.86	5159.39	5199.13	5199.13 (6/12)	3832.08 (30/1)	5199.13 (6/12/95)	41.22 (2/7/32)
Home Bonds	105.11	104.96	105.14	105.20 (5/12)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2071.24	2070.74	2086.61	2092.11 (5/12)	1473.10 (3/1)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	218.63	218.36	221.13	221.13 (6/12)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5200.21 (5211.05) Low 5115.31 (5124.35) (Theoretical♦)
Day's high 5175.65 (5198.41) Low 5137.71 (5148.55) (Actual♦)

Standard and Poors	Dec 8	Dec 7	Dec 6	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	617.48	616.17	620.18	620.18 (6/12)	459.11 (3/1)	620.18 (6/12/95)	4.40 (1/6/32)
Industrials▼	726.35	724.041	727.60	727.60 (6/12)	546.28 (3/1)	727.60 (6/12/95)	3.62 (21/6/92)
Financial	62.71	62.76	63.66	63.66 (6/12)	41.64 (3/1)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	329.02	328.77	330.83	330.83 (6/12)	250.73 (3/1)	330.83 (6/12/95)	4.46 (25/4/42)
Amex Mkt Val	535.55	538.71	537.59	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1062.41	1053.18	1061.73	1069.79 (4/12)	743.58 (3/1)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Dec 1	Nov 24	Nov 17	Year ago
Dow Jones Ind. Div. Yield	2.30	2.32	2.35	2.84
	Dec 6	Nov 29	Nov 22	Year ago
S & P Ind. Div. yield	1.95	2.00	2.01	2.48
S & P Ind. P/E ratio	18.98	18.64	18.38	18.29

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Cable & Wire	9,937,100	20¾	+⅛
Motorola	5,798,300	61⅞	+½
Micron	5,491,100	54⅛	+2¾
Enron	4,709,700	22¾	+⅜
West Elec	3,607,000	17	-⅛
Hewlett-Pack	3,032,100	87	+4⅛
Ford Motor	2,917,600	28⅞	-⅛
Citicorp	2,681,300	69⅞	+⅛
IBM	2,654,500	90⅞	+2⅞
Baker Hughes	2,509,900	21⅞	-⅜

■ TRADING ACTIVITY

● Volume (million)

	Dec 8	Dec 7	Dec 6
New York SE	327.497	379.265	420.842
Amex	23.875	22.345	24.271
NASDAQ	(u)	503.078	580.541
NYSE			
Issues Traded	3,073	3,097	3,108
Rises	1,115	860	1,270
Falls	1,163	1,567	1,080
Unchanged	795	670	758
New Highs	128	159	327
New Lows	21	23	23

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Dec	1855.0	1865.0	+8.5	1870.0	1841.0	15,143	41,875
Jan	1863.5	1873.5	+8.5	1878.5	1852.5	876	3,935
■ DAX							
Dec	2259.5	2278.0	+13.5	2288.0	2256.5	22,171	-
Mar	2283.0	2299.5	+14.0	2309.0	2278.5	3,530	-
■ OMX							
Dec	1364.00	1354.50	-14.50	1364.00	1352.00	3,927	14,285
Jan	1374.25	1367.00	-18.25	1374.25	1362.00	150	488
■ SOFFEX							
Dec	3239.0	3244.1	+1.1	3255.9	3231.0	5,666	14,027
Jan	3255.0	3251.7	+20.0	3265.0	3245.0	832	2,739
■ S&P 500							
Dec	618.50	618.30	+1.85	619.50	614.30	37,578	127,481
Mar	623.30	624.20	+1.80	625.20	620.00	78,064	101,175
■ Nikkei 225							
Mar	19480.0	19310.0	-170.0	19510.0	19200.0	44,044	121,157
Jun	19400.0	19260.0	-200.0	19450.0	19260.0	406	17,352

Open interest figures for previous day.

** Sat Dec 2 : Taiwan Weighted Price (c) ; Korea Comp Ex 931.23. Base values of all Indices are 150 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 8 - 2277.70 +17.08.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, December 8, 1995

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	30.9m	805	+1
Mitsubishi Hvy	26.5m	847	-6
Nippon Steel Corp	25.7m	358	-7
NKK Corp	16.9m	285	-3
Kawasaki Steel	8.8m	368	-7
Mitsubishi Elect	8.8m	775	+8
Yamaichi Secs	8.5m	716	+9
Toho Zinc Co	8.3m	743	+39
Kobe Steel	8.1m	306	-3
Hitachi	8.1m	1050	-10

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3483. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside the UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

صكذا من الاصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5599	-0.0374	504 - 694	15.5941	15.4711	15.5164	3.4	15.4724	2.2	-	-	106.4
Belgium	(BFr)	45.4769	-0.1189	405 - 132	45.6170	45.4020	45.3618	3.0	45.1919	2.5	44.4669	2.2	106.9
Denmark	(DKr)	8.5551	-0.0268	518 - 603	8.5842	8.5453	8.5445	1.6	8.5271	1.4	8.4687	1.0	109.4
Finland	(FM)	6.6150	-0.003	092 - 207	6.6450	6.5680	6.6106	0.8	6.6025	0.8	-	-	87.7
France	(FFr)	7.6091	-0.0336	052 - 130	7.6490	7.6051	7.609	0.0	7.6137	-0.2	7.5875	0.3	109.9
Germany	(DM)	2.2116	-0.0052	103 - 129	2.2195	2.2076	2.2065	2.7	2.1982	2.4	2.1589	2.4	111.2
Greece	(Dr)	363.479	-1.38	204 - 754	364.939	362.857	-	-	-	-	-	-	66.8
Ireland	(I£)	0.9669	-0.0006	661 - 676	0.9684	0.9650	0.9659	1.2	0.9648	0.8	0.9613	0.6	97.2
Italy	(L)	2427.04	-18.91	516 - 890	2440.28	2423.38	2435.89	-4.4	2452.09	-4.1	2526.49	-4.1	71.6
Luxembourg	(LFr)	45.4769	-0.1189	405 - 132	45.6170	45.4020	45.3619	3.0	45.1919	2.5	44.4669	2.2	108.9
Netherlands	(Fl)	2.4754	-0.0078	739 - 769	2.4872	2.4729	2.4689	3.2	2.459	2.7	2.4154	2.4	100.0
Norway	(NKr)	9.7262	-0.0218	195 - 328	9.7700	9.6614	9.7161	1.2	9.6946	1.3	9.6134	1.2	98.3
Portugal	(Es)	232.310	-0.528	165 - 455	232.987	231.493	232.735	-2.2	233.84	-2.8	-	-	94.8
Spain	(Pta)	188.562	-0.268	435 - 729	189.063	187.891	189.067	-3.1	190.012	-3.0	194.237	-3.0	81.6
Sweden	(SKr)	10.1664	-0.0173	557 - 770	10.2206	10.1271	10.1693	-0.2	10.1718	-0.2	10.1871	-0.2	87.3
Switzerland	(SFr)	1.7893	-0.0071	880 - 906	1.7947	1.7858	1.7825	4.5	1.7706	4.2	1.7172	4.0	115.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.5
Ecu	-	1.1999	-0.0025	991 - 006	1.2032	1.1972	1.1988	1.1	1.1974	0.8	1.19	0.8	-
SDR†	-	1.03459	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5273	-0.0106	267 - 278	1.5339	1.5205	-	-	-	-	-	-	-
Brazil	(R$)	1.4758	-0.0101	753 - 763	1.4818	1.4693	-	-	-	-	-	-	-
Canada	(C$)	2.0984	-0.0042	970 - 998	2.1015	2.0872	2.0969	0.8	2.0957	0.5	2.0915	0.3	83.3
Mexico	(New Peso)	11.8446	-0.0042	258 - 634	11.8718	11.7887	-	-	-	-	-	-	-
USA	($)	1.5274	-0.0104	269 - 278	1.5341	1.5205	1.5265	0.7	1.5249	0.7	1.5181	0.7	94.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0737	-0.0068	723 - 750	2.0774	2.0631	2.0752	-0.9	2.079	-1.0	2.0955	-1.1	85.0
Hong Kong	(HK$)	11.8128	-0.0818	083 - 168	11.8835	11.7608	11.8056	0.7	11.7974	0.5	11.7709	0.4	-
India	(Rs)	53.3122	-0.2494	583 - 661	53.4990	53.1110	-	-	-	-	-	-	-
Israel	(Shk)	4.7333	-0.0239	287 - 379	4.7470	4.7177	-	-	-	-	-	-	-
Japan	(Y)	154.844	-0.958	522 - 766	155.640	154.350	153.749	6.9	152.309	0.0	146.004	5.8	143.0
Malaysia	(M$)	3.8789	-0.0258	750 - 768	3.8933	3.8602	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3688	-0.0084	665 - 705	2.3732	2.3592	2.3715	-1.5	2.3785	-1.7	2.4027	-1.4	100.1
Philippines	(Peso)	40.0090	-0.2429	437 - 742	40.1320	39.8827	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7287	-0.0395	266 - 308	5.7539	5.7034	-	-	-	-	-	-	-
Singapore	(S$)	2.1614	-0.012	601 - 626	2.1697	2.1526	-	-	-	-	-	-	-
South Africa	(R)	5.6022	-0.0339	994 - 050	5.6252	5.5902	-	-	-	-	-	-	-
South Korea	(Won)	1175.53	-8.18	510 - 595	1181.18	1170.33	-	-	-	-	-	-	-
Taiwan	(T$)	41.6890	-0.2907	752 - 028	41.8804	41.5036	-	-	-	-	-	-	-
Thailand	(Bt)	38.4205	-0.2506	939 - 471	38.5880	38.2710	-	-	-	-	-	-	-

† Rates for Dec 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.1875	+0.0449	843 - 907	10.1950	10.1400	10.172	1.8	10.148	1.6	10.0425	1.4	106.4
Belgium	(BFr)	29.7750	+0.125	600 - 900	29.8950	29.7050	29.723	2.1	29.635	1.9	29.33	1.5	108.5
Denmark	(DKr)	5.6019	+0.0206	008 - 030	5.6245	5.5909	5.5981	0.8	5.5918	0.7	5.6094	-0.1	106.5
Finland	(FM)	4.3310	+0.0274	285 - 335	4.3485	4.3045	4.326	1.4	4.3173	1.3	4.2885	1.0	87.2
France	(FFr)	4.9818	+0.012	808 - 830	5.0092	4.9737	4.9854	-0.8	4.9929	-0.8	5.0044	-0.5	109.5
Germany	(DM)	1.4480	+0.0054	476 - 484	1.4550	1.4439	1.4457	1.8	1.4415	1.0	1.424	1.7	110.6
Greece	(Dr)	237.980	-0.72	870 - 090	238.100	237.270	239.705	-8.7	242.905	-8.3	256.38	-7.7	66.0
Ireland	(I£)	1.5798	-0.0097	790 - 805	1.5855	1.5735	1.5803	-0.3	1.5807	-0.2	1.5768	0.2	-
Italy	(L)	1589.05	-1.6	830 - 980	1595.50	1588.29	1595.8	-5.2	1607.95	-4.8	1666.05	-4.8	70.8
Luxembourg	(LFr)	29.7750	+0.125	600 - 900	29.8950	29.7050	29.723	2.1	29.635	1.9	29.33	1.5	108.5
Netherlands	(Fl)	1.6207	+0.0059	202 - 212	1.6284	1.6175	1.6176	2.3	1.6125	2.0	1.5932	1.7	108.3
Norway	(NKr)	6.3680	+0.029	655 - 705	6.4150	6.3080	6.3658	0.4	6.3575	0.7	6.3405	0.4	97.5
Portugal	(Es)	152.100	+0.69	050 - 150	152.770	151.390	152.475	-3.0	153.245	-3.0	156.85	-3.1	94.8
Spain	(Pta)	123.470	+0.665	410 - 530	123.720	123.050	123.865	-3.8	124.0	-3.7	128.09	-3.7	81.4
Sweden	(SKr)	6.6562	+0.034	512 - 612	6.6781	6.6403	6.6733	-3.1	6.7027	-2.8	6.8402	-2.8	66.8
Switzerland	(SFr)	1.1715	+0.0033	710 - 720	1.1768	1.1680	1.1679	3.7	1.1612	3.5	1.1328	3.3	114.4
UK	(£)	1.5274	-0.0104	269 - 278	1.5341	1.5205	1.5265	0.7	1.5249	0.7	1.5181	0.7	82.3
Ecu	-	1.2730	-0.0059	725 - 734	1.2769	1.2685	1.2733	-0.3	1.2736	-0.2	1.2743	-0.1	-
SDR†	-	0.67268	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-0.0001	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9663	-	662 - 663	0.9664	0.9661	-	-	-	-	-	-	-
Canada	(C$)	1.3739	+0.0068	734 - 744	1.3744	1.3693	1.3739	0.0	1.3743	-0.1	1.3793	-0.4	82.7
Mexico	(New Peso)	7.7550	+0.05	450 - 650	7.7700	7.7400	7.7572	-0.3	7.7604	-0.3	7.7653	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3576	+0.005	572 - 581	1.3589	1.3541	1.3596	-1.8	1.3631	-1.0	1.3810	-1.8	88.0
Hong Kong	(HK$)	7.7340	-0.0005	335 - 345	7.7348	7.7335	7.7347	-0.1	7.7365	-0.1	7.7635	-0.4	-
India	(Rs)	34.9050	+0.075	800 - 800	34.9500	34.8500	35.055	-5.2	35.36	-5.2	36.83	-5.5	-
Israel	(Shk)	3.0990	-0.0055	969 - 011	3.1034	3.0948	-	-	-	-	-	-	-
Japan	(Y)	101.250	-0.065	200 - 300	101.580	101.190	100.735	6.1	99.89	5.4	96.325	4.8	143.0
Malaysia	(M$)	2.5383	+0.0006	379 - 388	2.5390	2.5373	2.5392	-0.4	2.5453	-1.1	2.5668	-1.2	-
New Zealand	(NZ$)	1.5506	+0.005	499 - 510	1.5516	1.5470	1.5537	-2.4	1.5595	-2.3	1.5841	-2.2	-
Philippines	(Peso)	26.1950	-0.02	800 - 300	26.2300	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-0.0002	505 - 510	3.7510	3.7505	3.7512	-0.1	3.7518	-0.1	3.7553	-0.1	-
Singapore	(S$)	1.4151	+0.0018	147 - 155	1.4155	1.4130	1.4116	3.0	1.4056	2.7	1.3801	2.5	-
South Africa	(R)	3.6680	+0.003	672 - 687	3.6705	3.6665	3.696	-9.1	3.7471	-8.6	3.989	-8.8	-
South Korea	(Won)	769.650	-0.1	600 - 700	770.100	769.100	772.65	-4.7	776.15	-3.4	794.65	-3.2	-
Taiwan	(T$)	27.2950	-0.0005	940 - 960	27.3050	27.2930	27.315	-0.9	27.355	-0.9	-	-	-
Thailand	(Bt)	25.1550	+0.008	450 - 650	25.1700	25.1450	25.2538	-4.7	25.4575	-4.8	26.34	-4.7	-

† SDR rate per $ for Dec 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 7: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.70	-	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	[illegible]
Germany	4	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.51
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.52
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
week ago	2	[illegible]	[illegible]	2	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-

■ $ LIBOR FT London

	Over night	One month	Three mths	Six mths	One year			
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.19	5.28	5.26	5.23	-	-	-
week ago	-	5.18	5.44	5.40	5.39	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.24	94.21	-0.04	94.27	94.20	51,733	295,098
Mar	94.64	94.57	-0.08	94.70	94.55	107,023	430,290
Jun	94.79	94.78	-0.02	94.88	94.75	108,344	351,191

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.08	95.00	-0.07	95.13	94.99	1,041	6,646
Jun	95.23	95.21	-0.02	95.30	95.17	313	1,728
Sep	-	95.24	-	95.31	-	10	36

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.81	16.73	4.864	2.126	5336	5.442	21.39	510.8	414.7	22.36	3.934	2.199	4.813	3.358	339.9	2.636
Denmark	(DKr)	53.18	10	8.893	2.585	1.130	2837	2.893	11.37	271.5	220.4	11.89	2.091	1.169	2.452	1.785	180.7	1.401
France	(FFr)	59.77	11.24	10	2.907	1.271	3190	3.253	12.79	305.3	247.8	13.37	2.351	1.314	2.757	2.007	203.2	1.576
Germany	(DM)	20.56	3.868	3.440	1	0.437	1097	1.118	4.397	105.0	85.26	4.598	0.809	0.452	0.948	0.690	69.89	0.542
Ireland	(I£)	47.03	8.848	7.869	2.287	1	2510	2.559	10.06	240.2	195.0	10.52	1.850	1.034	2.170	1.579	159.9	1.240
Italy	(L)	1.874	0.353	0.314	0.091	0.040	100.	0.102	0.401	9.571	7.771	0.418	0.074	0.041	0.086	0.063	6.370	0.049
Netherlands	(Fl)	18.38	3.457	3.074	0.894	0.391	980.6	1	3.930	93.86	76.20	4.109	0.723	0.404	0.848	0.617	62.46	0.484
Norway	(NKr)	46.76	8.797	7.823	2.274	0.994	2495	2.545	10	238.8	193.9	10.46	1.839	1.028	2.157	1.570	159.0	1.233
Portugal	(Es)	19.58	3.683	3.276	0.952	0.416	1045	1.065	4.187	100.	81.19	4.378	0.770	0.430	0.903	0.657	66.65	0.516
Spain	(Pta)	24.11	4.537	4.034	1.173	0.513	1287	1.312	5.157	123.2	100.	5.392	0.949	0.530	1.112	0.810	81.97	0.636
Sweden	(SKr)	44.72	8.418	7.482	2.175	0.951	2386	2.434	9.563	228.4	185.4	10	1.759	0.983	2.063	1.501	152.0	1.179
Switzerland	(SFr)	25.42	4.783	4.253	1.236	0.541	1357	1.383	5.437	129.8	105.4	5.685	1	0.559	1.173	0.854	86.42	0.670
UK	(£)	45.48	8.556	7.609	2.212	0.967	2427	2.475	9.726	232.3	188.6	10.17	1.789	1	2.098	1.527	154.8	1.199
Canada	(C$)	21.68	4.078	3.627	1.054	0.461	1157	1.180	4.638	110.7	89.90	4.847	0.853	0.477	1	0.728	73.69	0.571
US	($)	29.78	5.603	4.983	1.449	0.633	1589	1.621	6.369	152.1	123.5	6.660	1.172	0.655	1.374	1	101.2	0.785
Japan	(Y)	29.42	5.534	4.922	1.431	0.625	1570	1.601	6.291	150.3	122.0	6.578	1.157	0.647	1.357	0.988	100.	0.776
Ecu		37.93	7.136	6.346	1.845	0.807	2024	2.064	8.112	193.7	157.3	8.482	1.492	0.834	1.750	1.274	128.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6912	0.6910	-0.0001	0.6937	0.6876	17,733	60,067
Mar	0.6950	0.6940	-0.0001	0.6970	0.6905	2,847	13,795
Jun	0.6939	0.6970	-	0.6978	0.6939	182	1,028

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8545	0.8561	+0.0023	0.8580	0.8500	11,772	38,151
Mar	0.8618	0.8636	-0.0024	0.8651	0.8574	2,374	11,290
Jun	0.8682	0.8708	+0.0025	0.8720	0.8660	46	566

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.9880	0.9883	+0.0018	0.9935	0.9857	10,505	45,796
Mar	0.9990	1.0018	+0.0018	1.0068	0.9990	3,548	23,895
Jun	1.0112	1.0144	+0.0018	1.0190	1.0112	2	614

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5330	1.5324	-0.0004	1.5362	1.5200	9,087	46,552
Mar	1.5300	1.5298	-0.0008	1.5350	1.5160	3,843	7,770
Jun	-	1.5268	-0.0008	-	1.5200	8	18

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.520	1.54	2.51	3.06	0.32	1.32	2.10
1.530	0.90	1.92	2.53	0.68	1.76	2.51
1.540	0.46	1.46	2.08	1.25	2.31	3.00
1.550	0.20	1.08	1.68	1.98	2.88	3.60
1.560	0.05	0.78	1.34	2.79	3.57	4.24
1.570	-	0.54	1.05	3.70	4.32	4.94

Previous day's vol., Calls 10,626 Puts 24,781. Prev. day's open int., Calls 267,989 Puts 313,170

■ Pound in New York

Dec 8	— Close —	— Prev. close —
£ spot	1.5330	1.5340
1 mth	1.5321	1.5331
3 mth	1.5304	1.5315
1 yr	1.5213	1.5226

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Dec 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.2281pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1995. Agreed rate for period Dec 26, 1995 to Jan 23, 1996, Schemes II & III 7.89pc. Reference rate for period Nov 1, 1995 to Nov 30, 1995, Schemes IV & V 6.728pc. Finance House Base Rate 7pc from December 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 8	Dec 1		Dec 8	Dec 1
Bills on offer	£1500m	£1500m	Top accepted rate	6.2371%	6.2571%
Total of applications	£4280m	£5580m	Ave. rate of discount	6.2281%	6.2358%
Total allocated	£1500m	£1500m	Average yield	6.3263%	6.3343%
Min. accepted bid	£98.445	£98.440	Offer at next tender	£1500m	£1500m
Allotment at min. level	48%	23%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday December 6, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,311,605,837	+121,501,137
Bankers deposits	1,819,766,931	+87,271,883
Reserve and other accounts	3,185,310,779	+9,680,519
	6,331,236,547	+218,453,539
Assets		
Government securities	1,748,207,581	-962,835,000
Advance and other accounts	2,770,776,730	+454,108,511
Premises, equipment and other secs	1,805,870,143	+733,401,652
Notes	6,234,415	-6,216,535
Coin	147,678	-5,069
	6,331,236,547	+218,453,539
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,083,765,585	+346,216,535
Notes in Banking Department	6,234,415	-6,216,535
	20,090,000,000	+340,000,000
Assets		
Other Government securities	16,532,358,875	+1,825,913,979
Other Securities	3,557,641,125	-1,485,913,979
	20,090,000,000	+340,000,000

FT GOLD MINES INDEX

	Dec 8	% chg since 30/12/94	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1969.82	-0.3	49.41	100.00	1.80	-	2083.66	1637.91
■ Regional Indices								
Africa (16)	2537.93	-20.5	13.70	27.73	3.82	22.71	3191.21	2272.74
Australasia (6)	2388.47	-2.7	6.05	12.25	2.06	37.41	2607.57	1788.20
North America (12)	1753.42	+13.5	29.66	60.03	0.77	50.41	1831.00	1348.18

Copyright, The Financial Times Limited 1995. 'FT Gold Mines Index' is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	24.5	99	98	Abtrust High Inc C	98		-	-	-	-
-	F.P.	2.13	10	9	†Arion Props	8		v-	-	-	-
306	F.P.	47.8	303	285	BZW Eqs Bermuda	294	-3	v-	-	-	-
-	F.P.	61.8	104	101	Benfield & Rea	103		-	-	-	-
290	F.P.	215.1	347	288	CMG	337	-4	Rv4.8	1.2	1.8	17.4
-	F.P.	26.0	29	26	Cash Converters	28	-1	Mv2.6	5.1	12.5	19.4
150	F.P.	71.6	160	150	Cortworth	150	-2	Rv5.8	2.1	4.8	12.3
-	F.P.	54.1	110	108	Cox Insurance	110		-	-	-	-
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
100	F.P.	50.0	101	98	Finsbury Tech	100		-	-	-	-
-	F.P.	5.25	230	178	†Flomerics	205		v-	-	-	18.6
-	F.P.	15.5	148	125	Gardner (L)	138	-3	-	-	-	-
-	F.P.	8.87	116	86	Jasmin	85		-	-	-	-
-	F.P.	2.00	80	70	London Town	60		-	-	-	-
-	F.P.	32.6	96	93½	Martin Currie Jp	95		-	-	-	-
-	F.P.	2.24	34	29	Do Warrants	33	+1	-	-	-	-
200	F.P.	79.4	260	200	Peptide Th'peutics	234	-3	-	-	-	-
-	F.P.	86.2	358	345	†Pet City	355		-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dilly	100		-	-	-	-
-	F.P.	181.8	45	36	†Trocadero	43	-1	-	-	-	-
-	F.P.	184.2	280	263	Vero Group	271		RWv5.1	1.8	2.4	28.9
-	F.P.	44.3	82	55	Wilmington	82	+1	v-	-	-	29.1

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	1995 Low	Stock	Closing price p	+or-
34	Nil	19/12	7pm	6pm	Allied Leisure	7pm	
50	Nil	5/1	33pm	22pm	Cordiant	27pm	+3
3	Nil	15/1	2½pm	¼pm	Roxspur	½pm	
50	Nil	27/12	3½pm	2pm	TBI	3½pm	
97	Nil	18/12	16pm	5pm	Television Corp	6pm	

pm premium.

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Treas 14pc 1996	[illegible]	-.2	770	Jy22 Ja22	16.6	1305
15¼pc 1996‡‡	[illegible]	-.2	1,150	My3 Ny3	27.9	1309
Exch 13¼pc 1996‡‡	[illegible]	-.2	800	My15 Ny15	9.10	1305
Conversion 10pc 1996	[illegible]	—	3,409	My15 Ny15	9.10	1240
Treas 13¼pc 1997‡‡	[illegible]	-.1	1,290	Jy22 Ja22	15.6	1302
Exch 10½pc 1997	[illegible]	-.1	3,700	Au21 Fe21	17.7	1253
Treas Cnv 7pc 1997‡‡	[illegible]	—	1,988	Fe6 Au6	30.6	4481
Treas 8¾pc 1997‡‡	[illegible]	—	5,550	Mr1 Se1	26.7	1341
[illegible]						

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Treas 8½pc 2005‡‡	[illegible]	0.5	8,900	Ja7 De7	31.18	4946
7½pc 2006‡‡	[illegible]	0.4	6,000	Ja7 De7	31.18	-
7¾pc 2006‡‡	[illegible]	0.4	3,900	Mr8 Se8	2.8	2300
8pc 2002-6‡‡	[illegible]	0.2	2,000	Ap5 Oc5	1.9	1334
Treas 11¾pc 2003-7	[illegible]	0.2	3,150	Jy22 Ja22	15.6	1293
Treas 8½pc 2007‡‡	[illegible]	0.4	7,397	Ja18 Jy10	0.3	1339
13½pc 2004-8	[illegible]	0.3	1,250	Se26 Mr26	28.9	1301
Treas 9pc 2008‡‡	[illegible]	0.4	5,621	Ap13 Oc13	6.9	1343
[illegible]						

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Index-Linked (b)						
2pc '96 (67.9)	[illegible]	—	1,200	Mr18 Se18	10.8	1313
4⅝pc '98‡‡ (135.6)	[illegible]	-.1	800	Ap27 Oc27	20.9	1753
2½pc '01 (78.3)	[illegible]	0.2	1,700	Mr24 Se24	18.0	1316
2½pc '03 (78.8)	[illegible]	0.1	1,700	My20 Nv20	16.10	1317
4⅜pc '04‡‡ (135.6)	[illegible]	0.2	1,000	Ap21 Oc21	14.9	1255
2pc '06 (69.5)	183	0.1	1,950	Ja19 Jy19	12.8	1314
2½pc '09 (78.8)	[illegible]	0.4	2,050	My20 Nv20	16.10	1318
2½pc '11 (74.6)	[illegible]	0.3	2,350	Fe23 Au23	17.7	1310
2½pc '13 (89.2)	[illegible]	0.3	2,750	Fe16 Au16	11.7	1320
[illegible]						

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for March 1995: 147.8 and for October 1995: 149.8.

Other Fixed Interest [illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	1995 High	1995 Low	Since comp. High	Since comp. Low
FT-SE 100	[illegible]								
FT-SE Mid 250	[illegible]								
FT-SE Mid 250 ex Inv Trusts	[illegible]								
FT-SE-A 350	[illegible]								
FT-SE SmallCap	[illegible]								
FT-SE SmallCap ex Inv Trusts	[illegible]								
FT-SE-A All-Share	[illegible]								

	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	1995 High	1995 Low	Since comp. High	Since comp. Low
FT-SE-A Fledgling	[illegible]								
FT-SE Eurotrack 100	[illegible]								
FT-SE Eurotrack 200	[illegible]								
FT Ordinary	[illegible]								
FT Govt Securities	[illegible]								
FT Fixed Interest	[illegible]								
FT Gold Mines	[illegible]								

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GT Asset Management (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Caiplus Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

DIT Dresdner Global Strategies Fund

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd

CMI Fund Managers (IoM)

Mercury Fund Managers Intl Ltd

Craftsman Intl Mngt (IoM) Ltd

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Foreign & Colonial Mngmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

DB Investment Management SA

Banelux Fund (a)

[illegible]

Mercury Asset Management S.A.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Citicorp Investment Mgmt (Luxembourg) SA

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Camco Investment Management Ltd

Global Asset Management - Contd.

Magellan Emerging Mkts Mgmt (Jersey) Ltd

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	Wk% change	Div net	Div cov	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf..		501½	.....	8%	–	Jun Dec	11'94	1757
Cater Allen		450	1.9	30.0	2.0	Jan Aug	3.7	2081
Close Bros.		324	1.2	8.7	2.5	Apr Nov	9.10	2166
Gerrard & Nat		453xd	.....	22.9	1.3	Jul Dec	13.11	2898
Hambros		209xd	1.0	7.5	–	Aug Dec	27.11	2812
7½pc Cv Pf		96	-1.0	7½%	–	Oct Apr	4.9	4369
Joseph (L)		463	.....	18.75	1.8	Sep Jan	17.7	3060
King & Shaxson		137	.....	8.0	1.4	Jan Jul	26.6	3098
Rea Brothers		45	2.2	1.8	2.4	May Sep	14.8	3785
Schroders		1333	.....	14.17	5.1	May Oct	18.9	3939
N/V		1140	0.4	14.17	5.1	May Oct	18.9	3941
Singer & Fried		109½	-5	3.7	2.7	Nov Jun	25.8	4028
8½pc Cv Ln 09/14		£136	-4	08½%	–	–	19.18	4845
Union		184	-2.1	3.0	–	Apr Aug	31.7	4353
Wintrust		358	.....	11.35	1.5	Mar Oct	28.8	4824

BANKS, RETAIL

	Notes	Price	Wk% change	Div net	Div cov	Dividends paid	Last xd	City line
ABN Amro Fl		£28½	-2.7	064%	2.1	Sep May	9'93	–
ANZ A$		289	-1.0	033c	ф	Jan Jul	12'93	–
Abbey National		639	-3.7	10.3	2.6	May Oct	7.8	5411
Allied Irish IE		350	0.5	058%	3.1	Sep Apr	7.8	1354
Anglo Irish IE		66xd	1.5	017.5%	ф	Jan Jul	27.11	1355
Asahi Y		782½	2.0	014%	1.9	Jun Dec	12'82	3049
Banco Bil Vz Pta		£21½	-2	027.2%	2.7	JyDcJaAp	7'93	–
Banco Sant Pta		£31½	.....	032.6%	1.1	JyDcJaAp	2.5	–
Bk Ireland IE		480xd	0.3	016½%	3.9	Jan Jul	20.11	1360
Bank Scotland		272xd	-4.6	6.14	3.7	Jul Dec	16.10	1742
9¼pc Pf		119	1.5	9¼%	–	May Nov	30.10	1492

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31⅛	–	0478c	2.4	Oct Apr	3'93	–
Barlow	♣	£9½	3.7	094c	ϕ	Jan Jul	19.6	–
Gold Flds Prop R		155	0.6	060c	2.1	Feb Sep	1'94	–
NK Props		02	–	067.1c	–	Feb Sep	10'93	–
SASOL	♥	633	9.0	078c	–	Oct	9'93	–
SA Brews		£22⅞xd	3.7	Q200c	2.1	Jun Dec	27.11	–
Standard Bank	☐	£30⅝	8.3	Q284c	3.1	Sep Mar	–	–
Tiger Oats		1180	2.3	Q109c	ϕ	Jan Aug	19.6	–
Tongaat-Hulett	†	1033xd	6.3	Q110c	2.7	Jun Jun	4.12	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, that is indicated after the name.

Dividend covers are based on "maximum" distribution, unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ⁂ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast
- 4 Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

4 Annualised dividend. 0 Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. O Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend. xc ex scrip issue. xr ex rights. xa ex all. xđ ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Ent Inns, Tom Cobbleigh** (Brews). **Heritage Bath** (Hse Gds). **Schroder Asia Pac. Do Wts** (Inv Tsts). **Celebrated, Celtic, David Glass, Megalomedia, Multimedia** (AIM). **Deletions: Explaura** (Bldg Mtls). **Copymore** (El & Ec Eqt). **Baillie Gfrd Jap Wts** (Inv Tsts). **Tesco Cap 9% Cv '05** (Fr Fd). **Dorlan** (Cands).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9447. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.
Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.
To order, call 0121 200 4676.
Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline. For readers phoning from outside UK, please dial +44 in place of the first 0.

4 pm close December 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18	12⅜	AAR	0.48	2.6	25	11	18⅝	16½	18½	-⅛
48¼	35	AMP	0.92	2.3	20	10497	40⅝	39¼	39⅞	-⅞
80¼	53⅞	AMR			17	5412	78½	75½	76	-⅛
47⅞	35⅞	ASA	1.71	4.3	26	517	39¾	39⅛	39⅝	+⅛
44¾	30¾	AbbtL	0.84	2.0	20	12852	41⅛	41⅛	41⅝	+½
16⅞	12	Abitibi Pr x	0.40	2.7	7	3770	15⅝	14⅞	14⅞	-¾
29½	21	ABM Ind	0.60	2.2	15	z100	27¾	27¾	27¾	-⅛
17½	13⅞	Acptncetn			10	311	15⅛	14⅝	15	+¼
40	21⅞	ACE Ltd	0.56	1.5	9	836	39	38½	38½	-¾
9⅞	8⅛	ACM Gvt In x	0.90	9.4	8	373	8⅝	9½	9⅝	
7¾	6½	ACM GvOpp x	0.65	9.1		185	7⅜	7¼	7⅜	
7½	5¾	ACM Gvt Sp x	0.76	11.1		1139	6⅞	6¾	6¾	-⅛
8¾	7¼	ACM Gvt Se x	0.00	10.4		608	8⅝	6½	6⅛	+⅛
9½	7⅝	ACM Man x	0.55	10.1		285	8⅞	6¾	0⅞	+⅛
28¼	10¼	AcmeCh	0.40	2.3	37	240	21⅝	21⅛	21⅛	-⅝
38¾	7⅛	Acme Elect			69	220	6½	8¼	0⅞	+⅜
34½	23¾	Acordia x	0.72	2.5	15	13	28⅝	28⅜	28⅝	+⅛
10⅛	10⅛	Acuson			36	230	11¾	11⅜	11⅜	+⅛
19⅝	15⅝	Adams Expr	0.48	2.6	0	178	18½	18⅜	18⅜	-⅛
38⅞	27⅞	AdvMic			6	10389	19⅞	19¼	19⅞	+¼
9¾	5	Advest Grp	0.18	1.8	12	28	9⅛	9⅛	9¾	
27⅛	16½	Advo Inc	0.10	8.4	19	1205	27	26⅜	26⅜	-⅜
42⅝	24.80	Aegon	1.28	3.1	15	748	41¼	40⅞	41	-⅜
5⅞	3⅛	Aerflx			7	71	4¼	4⅛	4⅛	
78¾	46¾	AetnaL	2.76	3.9	34	4012	72⅛	71⅛	71⅜	-¼
44¾	31⅞	Aflac	0.52	1.2	12	1262	41⅞	41⅛	41¾	+⅜
28⅜	18	Ahmnsn	0.65	3.4	0	5460	26⅝	25¾	26⅛	-⅛
59⅛	46⅞	AirPrC	1.04	1.9	16	2047	56¾	55½	55⅝	-⅞
28½	18⅜	Airborne Frt	0.30	1.1	26	171	28	27⅝	27⅞	-¼
31	19⅝	Airgas Inc			26	375	30⅛	29⅞	29⅞	-⅛
18	13⅞	Airlease	2.00	11.5	12	10	17⅛	17¼	17⅜	+⅛
35⅝	24	AirTch			109	5344	27⅞	27¼	27⅜	-⅛
21⅜	13½	Alaska Air	0.20	1.1	18	776	17⅞	17½	17⅝	-¼
26½	17⅛	Albany Int x	0.40	2.0	15	906	20½	20⅛	30½	
29	12¼	Albmrl	0.22	1.1	25	351	19¼	19	19¼	+¼
35½	25⅞	AlbCuB	0.32	8.9	19	180	u36½	35⅜	36¼	+⅞
31¾	23	AlCulvr A	0.32	1.9	24	267	u32¼	31¾	32⅛	+⅛
24⅜	27¼	Albsn	0.52	1.9	18	3428	33⅛	32⅛	33⅛	+½
36⅝	23⅛	AlcnAl	0.80	1.9	14	2954	33⅛	32¾	32⅜	-½
47⅜	31	AlcoSt	1.04	2.4	40	2382	44¾	43⅛	44	+⅝
00¾	29½	AlexBrown	0.80	1.8	8	385	40	44½	44½	-⅜
26¾	19½	AlexAl x	0.10	0.5	16	431	21⅝	20⅞	20⅞	-½
23	16⅜	Allegh Lud x	0.40	2.8	11	1780	18½	16	18⅜	+⅜
28⅞	21½	AllegP	1.64	5.8	15	1327	28⅝	20⅜	28½	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

هكذا من الأصل

NYSE COMPOSITE PRICES

4 pm close December 8

Continued from previous page

- X - Y - Z -

144⅝	95½	Xerox x	3.00	2.1	17	1896	143⅞	141¾	142⅛	+1
52½	42	Xtra Corp x	0.64	1.5	12	384	42⅞	42⅛	42⅞	+¼
24¼	19½	Yankee Egy x	1.26	5.3	19	35	24	23⅞	23⅞	-⅛
48½	34⅛	York Int	0.24	0.5	17	818	46⅝	45¾	46	-⅛
4½	2½	Zapata	0.14	4.3	7	500	5½	3⅛	3⅛	-⅛
12⅞	0⅞	ZenithE			4	1150	7⅜	7⅛	7¼	
24¾	19¾	Zenith Nat	1.00	4.7	30	3	21⅜	21⅛	21⅜	-⅛
6⅞	0⅛	Zemix Inc	0.72	11.1		288	6¾	6½	6½	-⅛
16⅞	12⅝	Zero	0.44	2.8	10	55	16	15⅞	10	+⅛
26	16¾	Zurn Ind	0.40	1.6	21	167	24⅛	24⅛	24⅜	+⅛
11½	10¼	Zweig Fund	1.12	9.8		311	11⅛	11¼	11⅛	
8	7⅞	Zweig Totl x	0.84	0.7		432	8¾	8⅝	8⅝	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

§ Dealings suspended.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2US. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside the UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

AMEX COMPOSITE PRICES

4 pm close December 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Acy Mogn		78	14	25⅛	24⅞	25⅛	
Altin Inc		10	130	1⅛	1⅛	1⅛	+⅛
Alpha Ind		29	352	14⅞	14	14	-¾
Am Isr Pa	1.05	8	2	48¼	48	48¼	
Amdahl c	0.05	10	765	9⅞	9⅛	8⅞	
AmerExpl		2	7810	11¼	10⅝	11	+½
Ampal-AmA		45	69	5⅝	5½	5½	
ASR Inva	2.00	7	52	17½	17⅛	17⅜	-⅛
Astrotech		13	32	3⅞	3¾	3¾	
Atari		34	685	1½	d1⅛	1⅜	-⅛
Audiovx A		4	300	5⅞	5½	5¾	-⅛
AvivaPtDR		75	z100	4½	4½	4½	
B&H Ocean x	0.80	1	10	2⅛	2⅜	2⅜	
BadgerMtr x	0.80	11	5	23¼	23	23¼	
BaldwnT A	0.64	15	57	5¼	5⅛	5¼	+¼
BATadr	0.74	12	1140	17¼	17⅛	17¼	-⅛
Beard		14	11	2¼	2¼	2¼	
Binks Man	0.40	17	2	24⅛	24⅛	24⅛	-⅛
Bio-Rad A		13	156	40⅜	39½	39⅞	-½
Bowmar		4	88	2⅜	2¼	2⅜	
Bowne	0.36	18	264	18⅞	19½	19⅝	-¼
Brascan A	1.84	21	92	17½	17⅜	17½	
Calprop		32	20	1⅛	6⅞	1⅛	
Cambrex	0.20	15	187	38⅞	38⅞	38⅞	
Can Marc	0.14	27	2	9⅛	9⅛	9⅛	
Cntrl FdA	0.01		107	4⅛	4⅝	4⅛	+⅛
Comlnco	0.30	14	z100	21	21	21	
CmpTch		80	77	8⅞	8⅝	8⅞	+⅛
Computrac		10	31	2⅞	2¼	2⅞	
Concd FbA		5	11	4	3⅛	3⅛	-⅛
CrossAT A	0.84	22	101	16⅛	18½	18	+½
Crown C A	0.40	13	7	13⅞	13⅞	13⅞	
Crown C B x	0.40	12	4	13⅞	13⅞	15⅞	
Cubic	8.53	31	25	24	24	24	
Customedix		7	45	1⅞	1⅛	1⅛	-⅛
Di Inds		11	140	⅛	d⅝	⅛	
Dimark		26	47	14⅝	14¼	14⅝	+¼
Ducommun		12	69	10⅛	9⅞	8⅞	-¼
Duplex	0.48	42	34	7¾	7⅝	7⅝	-⅛
Eastn Co	0.46	10	3	11½	11½	11½	-⅛
Echo Bay	0.07	30	2773	10⅞	10¾	10¾	
Ecol En A x	0.32	14	57	7½	d7¼	7⅜	
Edisto Rs		39	121	5½	5⅛	5½	+⅛
Ensco Intl		34	2065	16⅞	18⅞	19¼	-⅛
Epitope		7	757	12	10½	11⅞	+1⅛
Fab Inds x	0.70	15	29	29⅞	29⅝	29¾	+⅛
Fina A x	2.40	9	44	49½	48⅞	49½	+⅝
FstCtyBnc	0.20	30	10	25	25	25	
Forest La		18	528	44¾	44¼	44½	-⅛
Frequency		5	17	3½	3½	3½	-⅛
Garan	0.80	15	2	17⅛	17⅜	17⅜	-⅛
Giant FdA	0.74	19	667	32⅛	51⅞	32	
Glatfltr	0.70	11	393	19¼	17⅝	18	-¼
Goldfield		7	120	⅜	⅛	⅛	
Greenman		18	75	12⅝	12⅜	12¼	-⅛
Gulf Cds	0.34	5	15	4⅛	4⅛	4⅛	
HeriDir		13	656	1⅛	1⅛	1⅛	-⅛
Hasbro	0.32	18	880	31⅝	30⅞	21⅛	-⅛
Health Ch		71	52	1½	1⅛	1⅛	
Helco	0.15	10	3	18¾	18¾	19¾	
HvmanianA		15	210	7⅜	7⅛	7⅛	-⅛
InstronCp x	0.18	10	4	12⅜	12¼	12⅜	+¼
Int. Comm		9	3382	8⅛	8¼	8⅛	+⅛
Intermagn		62	381	24⅝	23⅞	24½	+⅛
Ivax	0.08	36	3258	27⅜	27⅜	27½	+⅛
Jan Bell		0	480	2⅛	2⅜	2⅛	+¼
Kinark Cp		10	50	2⅝	2⅛	2⅝	
Kirby Exp		50	69	17¾	17⅜	17⅝	+¼
KogrEq		7	771	9⅛	9¾	0¾	
Laberge		34	17	3⅛	3⅛	3⅛	
Laser Ind		15	387	11¾	10¾	11	+⅛
Lee Pharm		1	123	⅜	⅛	⅛	-⅛
Lumex Inc		29	529	10¼	9⅞	9⅞	+⅞
Lynch Cp		20	z100	64	64	64	
Maxxam		58	26	38¾	38⅞	38¾	+⅜
Media A x	0.46	17	175	31	30¾	31	
Mem Co 4	0.20	8	z100	3⅛	3⅛	3⅛	+⅛
Merrimedia		5	3254	15	d13⅝	14⅝	+¾
MilwLd			2	6⅞	6⅝	6⅝	+⅛
Moog A		14	63	14⅝	14½	14½	+⅛
MSR Expl		15	33	1⅛	1⅛	1⅛	-⅛
NatPatDev		35	133	9¾	9½	9⅝	-¼
NY TmA x	0.56	19	2056	29⅝	29	29⅜	-⅛
NumacE		96	36	5⅞	03¼	3⅞	
NVR		10	1033	10¾	10⅛	10⅛	-½
Pegasus G	0.10	136	3897	14⅛	13⅝	13⅞	+¼
Perini	8.80	1	30	8⅞	8⅝	8¾	-⅛
Pittway A	0.50	34	106	65¼	64⅜	65¼	+1
PMC	1.02	10	26	12⅞	12¾	12⅞	
PresidioA	0.10	0	1130	u⅜	⅜	⅜	
RaganBrad		35	z100	34½	34½	34½	
SJW Corp	2.16	10	6	34½	34¼	34½	
Tab Prods	0.20	24	20	0¾	6⅝	0⅝	-⅛
Tel&Data	0.38	20	930	37⅛	36⅜	57⅛	
Thermedics		50	392	21⅜	21⅛	21½	+⅛
ThermoIns		30	624	32	51⅜	31⅞	+⅜
TotPNA	0.30	137	498	10	d9⅝	9⅝	-⅛
TownCntry		3	180	⅛	⅛	⅛	
Triton		5	5702	3⅛	2⅞	3⅛	+⅛
Tubos Mex		10	297	6¾	9½	6½	-⅛
TurnrBrA x	0.87	81	460	26⅜	25⅞	26⅛	+⅛
TurnrBrB x	0.07	82	1553	26½	26¼	26½	+⅛
UtdFoodsA		4	10	1⅞	1⅞	1⅛	
UtdFoodsB	0.20	40	20	2	2	2	
US Cellul		34	94	33⅞	33¼	33½	-½
ViacomA		121	2687	45⅞	44¾	45½	-⅜
ViacomB			44030	46⅛	45	45¾	-½
WRET	1.12	18	151	10¾	d10½	10⅝	+⅛
Xytronix		2	241	1⅛	1½	1⅛	+⅛

NASDAQ NATIONAL MARKET

4 pm close December 8

FT GUIDE TO THE WEEK

MONDAY 11

European parliament sits

The European Parliament starts a week-long plenary session in Strasbourg. The highlight comes on Wednesday, when MEPs deliver their verdict on the proposed customs union between the European Union and Turkey. A simple majority of those MEPs voting is required if it is to come into effect on January 1. Recent signs are that MEPs have decided to back the accord after months of resistance because of Turkey's human rights record.

Dini confers with Kohl

Lamberto Dini, Italy's prime minister, visits Bonn to discuss the forthcoming EU summit in Madrid with Germany's Chancellor Helmut Kohl. Italy takes over the rotating presidency of the Union on January 1, and oversees the beginning of the intergovernmental conference, another issue which is likely to dominate the talks.

FT Surveys

Charity Fund Investment and Scotland as a Financial Centre.

Holidays

Namibia, Thailand (Constitution Day), Venezuela.

Sotheby's in New York hopes to sell an unpublished 72-page manuscript of Albert Einstein's Special Theory of Relativity for up to $6m on Monday

Saleroom

Phillips, London, is offering a recently discovered landscape with a rainbow by Turner. Two Canadian restorers bought a canvas to practise on and found the Turner when they had removed a garish overpainting. The work is in poor condition, but has been verified on the strength of a fingerprint in the paint that matches one on a recognised Turner. The estimate is £120,000 ($190,000).

Rugby union

Oxford meet Cambridge for the annual Varsity Match at Twickenham, London.

FT Surveys

Austria and Business Books (European editions only).

Holidays

Kenya, Mexico, Russia.

Football

Underdogs Ireland meet the flamboyant Netherlands at Anfield, Liverpool, in a play-off qualifier for next year's European championship finals.

FT Surveys

Italian Finance and Industry and World Commercial Vehicles.

Holidays

Malta.

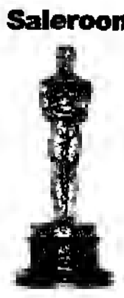
Nigeria discusses democracy

Nigeria's civilian politicians are due to meet and prepare for the lifting next year of the ban on party politics since General Sani Abacha seized power two years ago. Amid international condemnation and threats of sanctions, the military regime has pledged to hand over to democratic rule by October 1998, but past promises have been broken and politicians have so far failed to put up a credible alternative during 12 years of army rule.

Bundesbank council meets

The policy-making body of the German central bank holds its last consultation of 1995 amid speculation about a further interest rate cut to stimulate the faltering economy. Whether it cuts or not, it will set the money supply growth target for 1996, which is expected to be broadly similar to this year's 4-6 per cent range.

Saleroom



The first Oscar to be offered for auction in Europe comes up at Christie's in London. The Academy award was presented to Ethel Barrymore in 1944 for best supporting actress for her performance in *None but the Lonely Heart* alongside Cary Grant. The estimate is up to £20,000 ($32,000).

Equestrianism

International show jumping at Olympia, London (to Dec 18).

Golf

Johnnie Walker World Championship, Tryall, Jamaica (to Dec 17).

Cricket

Last week, England captain Mike Atherton scored an heroic, unbeaten, second-innings, 10¾-hour 185 against South Africa in Johannesburg, to force a draw in the 2nd Test match. After two draws, attention focuses on Durban, where the 3rd Test starts today.

FT Surveys

FT Exporter (European editions only) and Thailand.

TUESDAY 12

Bosnian Serbs' referendum

Bosnian Serbs vote in a referendum on the Dayton peace plan which divides war-torn Bosnia roughly in half. Called by Radovan Karadzic, the Bosnian Serb leader who has been indicted as a war criminal, a vote against the agreement is unlikely to prevent the planned deployment of Nato troops in Bosnia.

Kuchma visits UK

Ukraine's President Leonid Kuchma begins a two-day visit to the UK. He will meet the Queen and Prime Minister John Major to discuss Ukraine's role in Europe and closer economic co-operation. The second largest ex-Soviet republic wants to increase bilateral trade and investment.

Brazil's president in China

Brazil's President Fernando Henrique Cardoso arrives in China for a five-day tour. He is due to meet President Jiang Zemin, Prime Minister Li Peng and economics chief Zhu Rongji. Mr Cardoso is due to visit Beijing, Xian, Shanghai and the Portuguese enclave of Macao.

Swansong for Gatt

The 128 members of the General Agreement on Tariffs and Trade meet in Geneva for the last time, ahead of Gatt's formal demise on December 31. During its 48-year existence, industrialised countries slashed tariffs from 40 per cent to 4 per cent and world trade multiplied 15-fold. Gatt has been superseded by the World Trade Organisation, set up last January.

WEDNESDAY 13

UK economy

Kenneth Clarke, chancellor of the exchequer, and Eddie George, governor of the Bank of England, hold their monthly discussion of monetary policy. The chancellor may be tempted to cut base rate from 6.75 per cent, as tax cuts in last month's Budget were fairly restrained and growth is slowing. However, Mr Clarke insists that he can achieve his growth forecasts without any cuts. Mr George, however, will be reluctant to endorse a cut, since the Bank remains concerned about the longer term inflation profile.

THURSDAY 14

Bosnia peace accord signing

The Bosnia peace agreement reached last month in Dayton, Ohio, is due to be signed in Paris by the leaders of Serbia, Croatia and Bosnia in a bid to end nearly four years of bitter conflict. The Paris conference will also include a meeting of Moslem and western states which have been involved in the peace process and a discussion of how to reduce tension in the whole Balkan region.

Asean summit in Bangkok

Heads of government from the Association of South East Asian Nations (Asean), which groups Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam, meet for their fifth formal summit since Asean was established in 1967 (to Dec 15). They will be joined by leaders from Burma, Cambodia and Laos, which wish to join the organisation. The 10 countries will sign a treaty declaring the region a nuclear weapons free zone and discuss accelerating tariff reduction within the Asean free trade area.

FRIDAY 15

European Council in Madrid

The Spanish presidency hosts a two-day European Union summit. Leaders are expected to agree the name of the single European currency and a timetable for its phased launch from 1999. Spain will also try to persuade EU partners to agree a start-date for accession negotiations with central and eastern European countries after the conclusion of the intergovernmental conference due to open next year.

US budget crisis

The "continuing resolution" which provides temporary federal funding expires, threatening a second partial shutdown of government unless President Bill Clinton and congressional Republicans agree on a new resolution to keep it temporarily funded. Neither side wants to be blamed for a pre-Christmas withdrawal of services, making an extension into the New Year likely, while overall balanced budget negotiations continue.

New Hampshire deadline

Candidates must register by the end of today for the New Hampshire presidential primary election on February 20. President Bill Clinton faces no serious challenge as Democrat contender; Republican front-runner Senator Bob Dole has a number of rivals. This should be the first primary, though Delaware and Louisiana are both bidding for earlier dates.

Siemens breaks new ground

The cornerstone for a £1.13bn semi-conductor fabrication plant being developed by the German electronics group Siemens in North Tyneside, north-east England, is to be laid at a ceremony attended by Michael Heseltine, UK deputy prime minister, and senior representatives of Siemens.

Mastering Management

The eighth part of the FT's 20-part series appears in the UK edition. The ninth part will appear on Friday January 5 1996, after a seasonal break. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel: +44 181 770 9772, Fax: +44 181 643 7330.

FT Survey

Sweden.

SATURDAY 16

Japanese politics

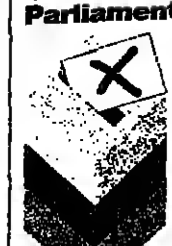
Japan's main opposition New Frontier party Shinshinto is to accept candidates in the party's first presidential election since its formation last December. The vote will not be limited to Shinshinto Diet members and other party members; any Japanese 18 or older who pays a "participation fee" of Y1,000 ($10) may vote.

Rugby union

England meet Western Samoa at Twickenham, London.

SUNDAY 17

Parliamentary polls in Russia



The second post-Soviet election for the Duma sees a dizzying array of 43 parties competing to breach the 5 per cent threshold of support needed to win seats. The economy and Russia's reduced global role are among the most emotive issues in a lively campaign fought largely through the media. Unreliable opinion polls put a rejuvenated Communist Party on top, with roughly 20 per cent support. Its call for a strong state, slower economic reform, and a recreated Soviet Union makes it natural allies among agrarians and the nationalist parties, also expected to do well. Yabloko, led by a liberal economist, may turn out to be the largest grouping backing market reform, as Yegor Gaidar's once pre-eminent Russia's Choice party has lost popular support. Prime Minister Victor Chernomyrdin's Our Home is Russia party defends the status quo.

Austrian general election

Austrians elect a new parliament for the second time in 14 months. The last was dissolved when the ruling coalition of Social Democrats and the conservative People's Party could not agree on measures to cut a ballooning deficit. Opinion polls indicate the People's Party is unlikely to realise its goal of displacing the Social Democrats as the biggest party.

Jörg Haider, populist leader of the rightwing Freedom party, is expected to consolidate his position as the main opposition force, with about a quarter of the vote. But with at least a fifth of voters undecided, a surprise cannot be ruled out.

Haiti chooses a president

A successor to Haiti's President Jean-Bertrand Aristide is to be elected in a further test of international efforts to establish democracy in the Caribbean nation. The constitution bars consecutive terms for presidents, and the front-runner is René Preval, a former prime minister, supported by the Lavalas coalition which backs Aristide and controls parliament. Campaigning has been low-key and a low turnout is expected.

Compiled by Patrick Stiles.
Fax: (+44) (0)171 873 3194

ECONOMIC DIARY

Other economic news

Monday: As Christmas shopping gets under way in many countries, there will a feast of price and sales data for the markets.

November's consumer price data in France are showing continued low inflation pressures.

Producer price data in the UK may reveal slower growth in input and output cost increases in November.

Meanwhile, retail sales figures in Germany should highlight further consumer weakness in October.

Wednesday: In the UK, average earnings growth is likely to be unchanged in October, with no change in unit wage costs. But in spite of this flat wage profile, retail sales are expected to rebound in November, after October's poor figure.

Thursday: UK retail prices data are likely to show little change in the inflation rate in November. US consumer price figures are also expected to paint a fairly flat inflation profile in November.

Friday: Meanwhile, Spain's inflation rate is also expected to remain unchanged between October and November, albeit running at relatively high rates compared with most of Europe.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Nov Bank of Japan data	-	N/A
Dec 11	France	Nov consumer price indx prelim*	0.1%	0.1%
	France	Nov consumer price indx prelim**	1.9%	1.8%
	UK	Nov producer price indx input*	0.1%	-0.3%
	UK	Nov producer price indx input**	6.7%	7.8%
	UK	Nov producer price indx output*	0.2%	0.2%
	UK	Nov producer price indx output**	4.5%	4.6%
	UK	Nov PPI, ex-food, drink & tobacco**	4.6%	4.8%
	Spain	Nov registered unemployment rate	15.4%	15.4%
	N'lands	Oct producer price indx**	1.7%	2.7%
Tues	US	Nov producer price indx	0.2%	-0.1%
Dec 12	US	Ditto ex-food & energy	0.2%	unch
	US	3rd qtr current a/c	-	$43.6bn
	US	Nov Atlanta Fed indx	-	-6.1
	US	Johnson Redbook w/e Dec 9	-	-1.6%
	Japan	Oct mach'ry orders ex power/ships*	7.6%	-3.9%
	Japan	Oct mach'ry ord ex power/ships**	1.0%	-0.9%
Wed	US	Nov retail sales	0.6%	-0.2%
Dec 13	US	Nov retail sales ex-autos	0.4%	-0.5%
	UK	Nov unemployment	-5,000	200
	UK	Oct average earnings	3.25%	3.25%
	UK	Oct unit wages 3 months**	3.8%	3.8%
	UK	Nov retail sales*	0.4%	-0.1%
	UK	Nov retail sales**	0.5%	0.1%
	Canada	Nov leading indicator*†	0.1%	0.1%
Thur	US	Nov consumer price indx	0.2%	0.3%
Dec 14	US	Ditto ex-food & energy	0.2%	0.3%
	US	Initial claims w/e Dec 9	375,000	377,000
	US	State benefits w/e Dec 2	-	2.66m
	US	Nov industrial production	unch	-0.4%
	US	Nov capacity utilisation	83.0%	83.8%
	US	Oct business inventories	0.4%	0.3%
	US	M2 w/e Dec 4	-$3.5bn	$8.6bn
	Japan	Nov overall wholesale price indx**	0.0%	-0.1%
	Japan	Nov domestic wholesale price indx**	-	-0.8%
	France	Sep current a/c†	FFr2.9bn	FFr1.6bn
	UK	Nov retail price indx*	0.1%	-0.5%
	UK	Nov retail price indx**	3.2%	3.2%
	UK	Ditto ex-mortgage int payments**	2.9%	2.9%
Fri	US	Nov bank credit	-	0.9%
Dec 15	US	Nov C&I loans	-	1.5%
	Japan	Oct industrial production†	-	1.2%
	Japan	Oct shipments†	-	0.5%
During the week...				
	Japan	Nov trade balance, customs cleared	$5.9bn	$8.5bn
	Germany	Oct orders, West*	0.5%	1.5%
	Germany	Oct retail sales – real**	-2.0%	-2.0%
	Germany	Oct retail sales*†	-	3.0%
	Germany	Nov wh'sale price ind, pan Germany*	0.1%	-1.4%

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

½ hour period ending	Provisional Price for Trading on 10.12.95: Pool purchase price £/MWh	Final Prices for Trading on 12.11.95: Pool purchase price £/MWh	Final Prices for Trading on 12.11.95: Pool selling price £/MWh
0030	14.69	8.93	10.69
0100	30.00	25.71	27.47
0130	30.00	25.71	27.47
0200	30.00	25.71	27.47
0230	30.00	8.93	10.69
0300	21.24	9.02	9.02
0330	21.24	8.97	8.97
0400	21.24	8.96	8.96
0430	21.24	8.09	8.09
0500	21.24	8.09	8.09
0530	21.32	8.11	8.11
0600	21.32	8.11	8.11
0630	9.06	8.11	8.11
0700	9.04	8.11	8.11
0730	9.04	8.12	8.12
0800	9.04	8.12	8.12
0830	9.04	8.12	8.12
0900	9.09	8.91	8.91
0930	21.32	8.96	8.96
1000	21.32	8.95	10.71
1030	21.32	9.99	11.75
1100	21.98	9.99	11.75
1130	25.41	16.73	18.49
1200	26.86	22.45	24.21
1230	28.63	27.22	28.98
1300	28.63	27.22	28.98
1330	27.35	27.22	28.98
1400	21.88	14.17	15.93
1430	21.32	9.99	11.75
1500	9.11	8.97	8.97
1530	9.07	9.99	11.75
1600	9.13	14.17	15.93
1630	21.96	16.76	18.51
1700	32.82	19.33	21.10
1730	33.00	30.73	32.49
1800	33.01	30.73	32.49
1830	32.58	30.73	32.49
1900	32.42	24.43	26.19
1930	32.32	20.18	21.94
2000	32.30	17.67	19.43
2030	23.71	17.51	19.27
2100	23.71	16.86	18.62
2130	21.88	16.85	18.61
2200	21.32	16.85	18.61
2230	17.63	9.99	11.75
2300	15.93	9.99	11.75
2330	15.93	8.97	8.97
2400	9.11	8.91	8.91

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

½ hour period ending	Provisional Price for Trading on 11.12.95: Pool purchase price £/MWh	Final Prices for Trading on 13.11.95: Pool purchase price £/MWh	Final Prices for Trading on 13.11.95: Pool selling price £/MWh
0030	15.93	8.93	8.93
0100	15.93	8.97	8.97
0130	19.96	9.99	12.16
0200	19.96	9.99	12.18
0230	19.96	8.97	8.97
0300	19.96	8.93	8.93
0330	18.96	8.92	8.92
0400	18.81	8.91	8.91
0430	15.25	8.91	8.91
0500	15.25	8.89	8.89
0530	12.16	8.93	8.93
0600	9.13	8.93	8.93
0630	33.85	8.97	8.97
0700	34.47	9.87	12.05
0730	44.52	21.51	23.68
0800	55.89	21.81	23.99
0830	76.77	36.26	38.47
0900	84.83	36.33	38.53
0930	86.62	36.80	39.02
1000	84.97	36.84	39.07
1030	78.99	36.85	39.09
1100	74.78	36.87	39.11
1130	72.49	47.34	49.60
1200	71.83	47.40	49.67
1230	57.09	47.38	49.65
1300	52.18	36.47	38.72
1330	46.74	36.38	38.60
1400	37.51	36.36	38.58
1430	39.23	36.36	38.57
1500	49.34	36.36	38.57
1530	67.32	10.30	10.30
1600	173.38	11.79	11.79
1630	472.25	46.57	46.57
1700	798.31	128.18	149.69
1730	848.01	156.57	177.34
1800	622.98	133.49	181.46
1830	318.65	85.56	94.18
1900	175.98	58.58	60.44
1930	108.47	44.22	48.88
2000	68.52	42.93	45.19
2030	47.40	21.82	24.00
2100	37.40	22.12	24.30
2130	36.00	21.51	23.68
2200	35.37	21.51	23.68
2230	34.06	21.50	23.68
2300	31.99	13.07	15.24
2330	31.99	9.09	9.02
2400	31.99	8.96	8.96

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

MONDAY PRIZE CROSSWORD

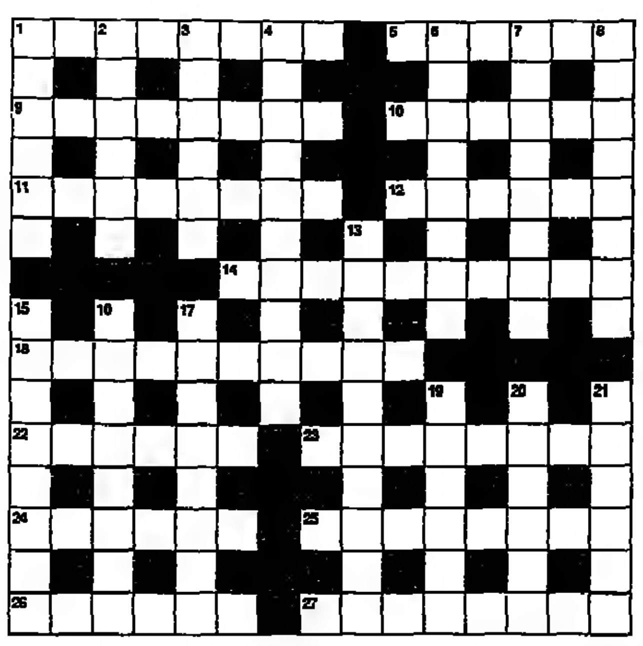
No.8,941 Set by DANTE

ACROSS

1 Model found to be lacking original parts (8)
5 Caught by traffic light at bend in the road (6)
9 Josiah, we hear, is a two club man (8)
10 Impassive when I'd lost, ruined (6)
11 Is able to sign for cagebirds (8)
12 Shooting star's remote origins (6)
14 Balances books without any profit (10)
18 Pull leg about being in bed that's untidy (10)
23 Troubles due to many pay increases (6)
23 First class student? (8)
24 Ceremonial trial rearranged about the middle of January (6)
25 Jo prayed to be free from danger (8)
26 It may provide a crash course for the fair driver (6)
27 Flag-ship rounds end of pier (8)

DOWN

1 What stimulated a half-back to be a striker? (6)
2 Scholar makes notes in exercise-book (6)
3 Dramatist in conflict about method of payment (6)
4 Rock layer, say, elevated to an ancient monument (10)
6 He comes in to wait, finally (2,3,3)
7 One is convinced there's some sort of evil in drink (8)
8 Does it provide treatment for the hot and peevish? (3,5)
13 About to be beaten, but don't turn back (4,6)
15 Old students better out of sight (8)
16 Confessed to having been taken in (8)
17 Brave opponent, but he doesn't look it (8)
19 It might disturb one's reflections by the riverside (6)
20 Worker on edge in Ireland (6)
21 The plea and the pleader (6)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday December 21, marked Monday Crossword 8,941 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Wednesday December 27. Please allow 28 days for delivery of prizes.

Name..............................

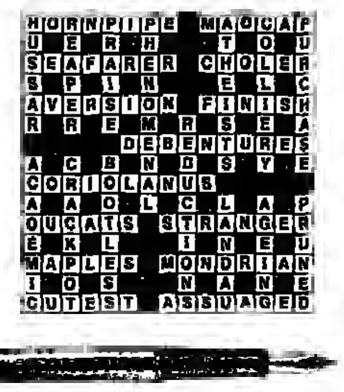
Address..............................

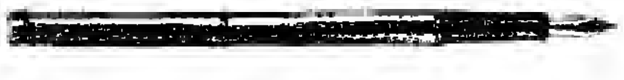
....

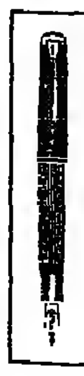
Winners 8,929

J.V. Tiller, Epsom, Surrey
Turlough O'Leary, Dublin
C.R. Fenton, Gerrards Cross
Pamela Payne-Mitchell, Lancaster
Simon Levell, London SW11
Mrs M. Moss, Hampstead

Solution 8,929







JOTTER PAD

هكذا من الاصل